LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer ("**LOF**") is sent to you as a shareholder(s) of **KAMAT HOTELS (INDIA) LIMITED.** If you require any clarifications about the action to be taken, you may consult your Stockbroker or Investment Consultant or Manager / Registrar to the Offer. In case you have recently sold your equity shares in the Company, please hand over this LOF and the accompanying Form of Acceptance-cum-Acknowledgement and Transfer Deed to the Member of the Stock Exchange through whom the said sale was effected.

OPEN OFFER ("OFFER")

This Offer is being made pursuant to **Regulation 3(1)** of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and subsequent amendments thereto ("**the Regulations**") for the acquisition of **4,964,283** fully paid-up equity shares of `10/- each, representing **26%** of the post-conversion paid-up equity share and voting capital (**"the Offer Size"**) at **`135** (Rupees One Hundred and Thirty-Five Only) per fully paid-up equity share ("**the Offer Price**") payable in **Cash**

By

CLEARWATER CAPITAL PARTNERS (CYPRUS) LIMITED (**"the Acquirer"**)
Registered Office: 12 Esperidon Street, 4th Floor, Nicosia, Cyprus (1087).
Tel. No. +357-224-74000; Fax No. +357-224-74888; Email: ccpcyprus@clearwatercp.com

and

CLEARWATER CAPITAL PARTNERS SINGAPORE FUND III PRIVATE LIMITED (**"the PAC"**)
Registered Office: 4 Battery Road, #34-01, Bank of China Building, Singapore (049908).
Tel. No. +65-6827-9250; Fax No. +65-6827-9268; Email: clearwatersg@clearwatercp.com

From the Equity Shareholders of

KAMAT HOTELS (INDIA) LIMITED (**"KHIL" or "the Target Company"**)
Registered Office: KHIL House, 70C Nehru Road, Near Santacruz Airport, Vile Parle (East), Mumbai – 400 099, Maharashtra, India.
Tel. No.: +91-22-2616 4000; Fax No. +91-22-2616 4201; Email: cs@khil.com; Web: www.khil.com

ATTENTION

1. This Offer is not conditional upon any minimum level of acceptance in terms of Regulation 19 of the Regulations.
2. As on the date of this LOF, to the best of the knowledge of the Acquirer and the PAC, there are no statutory or other approvals which are required to make this Offer. However, in case of any regulatory or statutory or other approval being required at a later date before the closure of the Tendering Period, the Offer shall be subject to all such approvals and the Acquirer and the PAC shall make the necessary application for such approvals. However, there are no statutory approvals pending as on date of this LOF.
3. If there is any upward revision in the Offer Price by the Acquirer and the PAC upto three working days prior to the commencement of the Tendering Period i.e. up to December 17, 2012 or in the case of withdrawal of the Offer, the same would be informed by way of Offer Opening Public Announcement / Corrigendum in the same newspapers where the original DPS has appeared. Such revision in the Offer Price would be payable by the Acquirer and the PAC for all the equity shares validly tendered anytime during the Tendering Period.
4. **The Offer is not a competing offer in terms of Regulation 20 of the Regulations and there is no competing offer to this Offer.**
5. A copy of Public Announcement, Detailed Public Statement, Draft Letter of Offer and Letter of Offer (including Form of Acceptance-cum-Acknowledgement) are / will be available on Securities Exchange Board of India ("**SEBI**") website: www.sebi.gov.in

MANAGER TO THE OFFER		**REGISTRAR TO THE OFFER**	
SYSTEMATIX GROUP Investments Re-defined	**Systematix Corporate Services Limited** SEBI Registration No. INM 000004224 J. K. Somani Building, 2nd Floor, British Hotel Lane, Fort, Mumbai – 400 001. Tel. No: +91-22-3029 8280/81; +91-22-6619 8280/81 Fax No. +91-22-3029 8029 / 6619 8029 Email: investor@systematixgroup.in Web: www.systematixshares.com **Contact Person: Mr. Hari Surya/ Mr. Amit Kumar**	LINK INTIME INDIA PVT LTD	**Link Intime India Private Limited** SEBI Registration No. INR000004058 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078; Tel. No. +91-22-2596 7878 Fax No. +91-22-2596 0329 Email: khil.offer@linkintime.co.in Web: www.linkintime.co.in **Contact Person: Mr. Pravin Kasare**
OFFER / TENDERING PERIOD ("TP")			
OPENS ON: DECEMBER 20, 2012 (THURSDAY)		**CLOSES ON: JANUARY 3, 2013 (THURSDAY)**	

SCHEDULE OF ACTIVITIES

ACTIVITY	ORIGINAL (Date, Day)	REVISED (Date, Day)
Date of the Public Announcement (PA)	January 11, 2012 Wednesday	January 11, 2012 Wednesday
Date of the Detailed Public Statement (DPS)	January 18, 2012 Wednesday	January 18, 2012 Wednesday
Last date for a Competitive Bid / Offer	February 8, 2012 Wednesday	February 8, 2012 Wednesday
Last date for SEBI Observations on LOF / Date of receipt of final SEBI Observations	February 16, 2012 Thursday	December 4, 2012 Tuesday
Identified Date*	February 21, 2012 Tuesday	December 6, 2012 Thursday
Date by which LOF to be posted to the equity shareholders of the Target Company	February 28, 2012 Tuesday	December 13, 2012 Thursday
Last date for upward revision of the Offer Price or any increase in the Offer Size	March 1, 2012 Thursday	December 17, 2012 Monday
Last date for public announcement by the Independent Directors Committee (IDC) of the Target Company on the Offer	March 2, 2012 Friday	December 18, 2012 Tuesday
Offer Opening Public Announcement	March 5, 2012 Monday	December 19, 2012 Wednesday
Date of Opening of the Tendering Period (TP)	March 6, 2012 Tuesday	**December 20, 2012 Thursday**
Date of Closure of the Tendering Period (TP)	March 20, 2012 Tuesday	**January 3, 2013 Thursday**
Date of releasing Post-Offer Public Announcement (Post PA)	March 28, 2012 Wednesday	January 10, 2013 Thursday
Last date for communicating the rejection /acceptance; Completion of payment of consideration or refund	April 4, 2012 Wednesday	January 17, 2013 Thursday
Last date for submission of the Final Report with SEBI	April 13, 2012 Friday	January 24, 2013 Thursday

***IDENTIFIED DATE**

Identified Date is only for the purpose of determining the names of the shareholders as on such date to whom the LOF would be sent. All the owners (registered or unregistered) of equity shares of Target Company, (except the Acquirer and the PAC) anytime before the closure of the TP, are eligible to participate in the Offer.

Note: Duly Signed Application and Transfer Deed should reach to "Link Intime India Private Limited" (**"the Registrar to the Offer"**), on or before closure of the TP.

RISK FACTORS

A. RELATING TO THE OFFER

The risk factors set forth below pertaining to the Offer and are not in relation to the present or future business operations of the Target Company or other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for analyzing all the risks with respect to their participation in the Offer.

1) The Offer involves an offer to acquire up to 26% of the post-conversion paid-up equity share and voting capital of KHIL from the Eligible Persons. In the case of over subscription in the Offer, acceptance would be determined on a proportionate basis as per the Regulations and hence there is no certainty that all the equity shares tendered by the shareholders in the Offer will be accepted.

2) In the event that (a) any statutory and regulatory approvals are not received in a timely manner, (b) there is any litigation leading to a "stay" on the Offer, or (c) SEBI instructing the Acquirer and the PAC not to proceed with the Offer then the Offer process may be delayed beyond the schedule of activities indicated in this LOF.

3) Consequently, the payment of consideration to the shareholders of KHIL whose equity share(s) have been accepted in the Offer as well as the return of equity share(s) not accepted by the Acquirer may be delayed. In case of the delay, due to non-receipt of statutory approvals, as per Regulation 18(11) of the Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to willful default or negligence or failure to diligently pursue such approvals on the part of the Acquirer and the PAC, grant an extension for the purpose of completion of the Offer subject to the Acquirer and the PAC paying interest to the shareholders, as may be specified by SEBI.

4) Shareholders should note that equity shares once tendered through Form of Acceptance - cum - Acknowledgement or through any valid modes in the Offer, such shareholders will not be entitled to withdraw such acceptances.

5) The Offer is subject to the receipt of statutory and regulatory approvals by the Acquirer and the PAC, and wherever applicable, by the Target Company, in connection with the Offer. In terms of Regulation 23(1)(a) of the Regulations, the Acquirer and the PAC may not be able to proceed with the Offer in the event the approvals are not received. Delay, if any, in the receipt of these approvals may delay completion of the Offer.

6) The equity shares tendered in the Offer will be held in trust by the Registrar to the Offer until the completion of the Offer formalities. During such period, there may be fluctuations in the market price of the equity shares of KHIL. Accordingly, the Acquirer and the PAC make no assurance with respect to the market price of the equity shares both during the Offer Period and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by any shareholder of KHIL on whether to participate or not to participate in the Offer.

B. IN ASSOCIATION WITH THE ACQUIRER AND THE PAC

1) The Acquirer and the PAC make no assurance with respect to the financial performance of the Target Company. They also make no assurance with respect to the market price of the equity shares upon the completion of the Offer, and disclaim any responsibility with respect to any decision by the Shareholders on whether or not to participate in the Offer.

2) The Acquirer and the PAC jointly and severally do not accept any responsibility for statements made otherwise than in the LOF / DLOF / DPS / PA and anyone placing reliance on any other sources of information (not released by the Acquirer or the PAC) would be doing so at his / her / its / their own risk.

C. RISK IN THE TRANSACTION

The Offer contains a clause that it is subject to the provisions of the Regulations and in case of non-compliance with any of the provisions of the Regulations, the Acquirer and the PAC shall not act upon the acquisition of equity shares under the Offer.

CURRENCY OF PRESENTATION

In this LOF, all references to “Rs.”/”`” are to the reference of Indian National Rupee(s) (“**INR**”). Throughout this LOF, all figures have been expressed in “Million” unless otherwise specifically stated. At some places US$, CY£ and Euro (€) have been used which represent the national currencies of United States of America, Cyprus and European Union respectively. In this LOF, any discrepancy in any table between the total and sums of the amount listed are due to rounding off and / or regrouping. RBI Reference Rate for conversion of foreign currencies into INR is taken as January 10, 2012 i.e. the immediate day prior to the date of the PA. The following are the exchange rates for the below-mentioned currencies in terms of INR:

1 US$ = `52.2255; 1 GBP = `80.8399 and 1 Euro = `66.7978

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ABBREVIATIONS / DEFINITIONS

The following abbreviations / definitions apply throughout this document, unless the context requires otherwise:

PARTICULARS	DETAILS / DEFINITIONS
Acquirer / Clearwater-Cyprus / Bondholder	Clearwater Capital Partners (Cyprus) Limited, a company incorporated under the Companies Law, Cap. 113 as a ‘Limited Liability Company’ on February 10, 2004 in the Republic of Cyprus
Agency Agreement	Agreement dated March 13, 2007 entered between the Target Company, Trustee, Registrar, Principal Paying & Conversion Agent and Paying & Conversion Agent and Transfer Agent pursuant to issue of Bonds on the same date.
AOA	Articles of Association
B.Sc.	Bachelor of Science
BSE	Bombay Stock Exchange Limited, Mumbai, India
Cash Escrow Account	Account is opened vide Agreement dated January 9, 2012 between the Acquirer, the Escrow Bank and the Manager to the Open Offer for depositing minimum consideration payable to the shareholders under the Offer
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
Clearwater Director	Any person who is appointed and acts as a nominee director on the Board of KHIL on behalf of the Acquirer.
Companies Act	The Companies Act, 1956 as amended or modified from time to time
Conversion Equity	1,954,196 equity shares allotted by the Target Company to the Acquirer upon conversion of

Shares	remaining US$ 5,966,000 Bonds at Conversion Price of ` 135/- each per equity share at pre-determined exchange rate of ` 44.22 per US$
Conversion Notice	Conversion Notice being served to the Principal Paying and Conversion Agent after the Board of Directors of Clearwater-Cyprus has passed a resolution to convert the remaining Bonds on January 11, 2012 in order to convert the remaining Bonds into equity shares of the Target Company.
Conversion Price	The price at which Bonds will be converted into equity shares i.e. ` 135/- per equity share
CY£	Cypriot Pound or Cyprus Pound, the legal currency of Cyprus
Commencement of TP	December 20, 2012 (Thursday) i.e. Offer Opening Date
Closure of the TP	January 3, 2013 (Thursday) i.e. Offer Closing Date
DIN	Director Identification Number
DLOF	Draft Letter of Offer dated January 23, 2012
DP	Depository Participant
DPS	Detailed Public Statement relating to the Offer published on January 18, 2012
EGM	Extra-Ordinary General Meeting
Eligible Persons	All the Shareholders of KHIL (registered and unregistered) who own the equity shares at any time prior to the closure of the TP except the Acquirer and the PAC
Escrow Agent	IndusInd Bank Limited (DP ID: IN300159)
Escrow Bank	IndusInd Bank Limited
Escrow Demat Agreement	Agreement entered between the Acquirer, the Manager to the Offer and the Escrow Agent for custody of the Conversion Equity Shares till the completion of the Offer
EPS	Earnings Per Share = Profit after Tax / Total no. of outstanding equity shares
Euro/€	Currency of European Union
FCCBs/Bonds	Foreign Currency Convertible Bonds
FC-GPR	Foreign Collaboration - General Permission Route
FEMA	Foreign Exchange Management Act, 1999
FEMR	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FIIs	Foreign Institutional Investors
Form of Acceptance	The application cum acknowledgement form which is enclosed with this LOF for accepting the Offer
FY	Financial Year
GIR	General Index Register
Identified Date	December 6, 2012 (Thursday) the date for the purpose of determining the names of the shareholders to whom the LOF would be sent
Income Tax Act	Income Tax Act, 1961
Inter-se Agreement	Inter-se Agreement dated August 13, 2010 was executed between the Acquirer, the Target Company and the Specified Promoters of the Target Company
IFSC	Indian Financial System Code
ISIN	International Securities Identification Number
M.A.	Master of Arts
LOF	Letter of Offer dated December 7, 2012
LP	Limited Partnership
Manager to the Offer	Systematix Corporate Services Limited, Mumbai, India
Maturity Date	If Bonds have not been converted by the Bondholder or the Target Company prior to March 14, 2012, then the Bonds will be converted into equity shares of the Target Company
MICR	Magnetic Ink Character Recognition
MOA	Memorandum of Association
NBFC	Non-Banking Financial Company
NECS	National Electronic Clearing Services
NEFT	National Electronic Fund Transfer
NRI(s)	Non-Resident Indian(s)
No.	Number
NSDL	National Securities Depository Limited

NSE	National Stock Exchange of India Limited, Mumbai, India
OCBs	Overseas Corporate Bodies
Offer / Open Offer	Cash Offer @ ` 135/- per equity share being made by the Acquirer and the PAC to the shareholders of Target Company to acquire upto 4,964,283 fully paid up equity shares of Kamat Hotels (India) Limited
Offer Period	Period between the date of entering into an agreement, formal or informal, to acquire equity shares, voting rights in, or control over a Target Company requiring a PA, or the date of the PA, as the case may be and the date on which the payment of consideration to shareholders who have accepted the Offer is made, or the date on which Offer is withdrawn, as the case may be
Offer Price	` 135/- (Rupees One Hundred and Thirty-Five only) for each fully paid-up equity share payable in cash
Offer Size	4,964,283 equity shares of the face value of ` 10/- each representing 26% of the post-conversion paid-up equity share and voting capital of the Target Company
Offering Circular	Circular dated March 13, 2007 through which Target Company had issued US$18,000,000 5.50% coupon Bonds.
PAC / The Person Acting in Concert / Clearwater-Singapore	Clearwater Capital Partners Singapore Fund III Private Limited, a company incorporated under the Companies Act (Cap. 50) as a 'Private Limited Company' limited by shares on August 28, 2007 in the Republic of Singapore
Paying and Conversion Agent and Transfer Agent	The Bank of New York Mellon; One Canada Square, 40th Floor, London, United Kingdom.
Ph.D.	Doctor of Philosophy
Public Announcement / PA	The Offer made by the Acquirer and the PAC on January 11, 2012 on NSE and BSE to the Shareholders of KHIL
Principal Paying and Conversion Agent	The Bank of New York Mellon; One Canada Square, 40th Floor, London, United Kingdom
Promoters / Promoter Group	Promoters of Kamat Hotels (India) Limited
RBI	Reserve Bank of India
Registrar	The Bank of New York Mellon; 101 Barclay Street, New York, United States of America
Registrar to the Offer	Link Intime India Private Limited, Mumbai.
Regulations	SEBI (SAST) Regulations, 2011 as amended till date
Rs. / Rupee(s) / INR / `	Indian Rupees, the legal currency of India
RTGS	Real Time Gross Settlement
Scheme	Composite Scheme of Arrangement and Amalgamation approved by the Board of Directors of the Target Company and sanctioned by Bombay High Court under Sections 391-394 of the Companies Act, 1956 on May 28, 2011 for amalgamation of "Kamat Holiday Resorts Private Limited" and "Kamats Restaurants Private Limited" into the Target Company and the Demerger of "Lotus Resort Goa undertaking" of Kamats Holiday Resorts (Silvassa) Limited and merger thereof into the Target Company.
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended or modified from time to time
SEBI (SAST) Regulations, 2011	Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 and subsequent amendments thereto.
SGX-ST	Singapore Exchange Securities Trading Limited
Share(s)/equity share(s)	Fully paid up equity share(s) with one vote per equity share of Target Company, having face value of ` 10/- each.
Shareholders/Equity Shareholders	Shareholders of Target Company
Sl. No.	Serial Number
Specified Promoters	Plaza Hotels Private Limited, Vithal Kamat, Vithal Kamat – HUF, Vidya Kamat, Vikram Kamat, Indira Investments Private Limited, Kamats Development Private Limited, Venketesh Hotels Private Limited, Kamats Holdings Private Limited, Vishal Amusements Limited, Kamats Holiday Resorts (Silvassa) Private Limited, Kamats Super Snacks Private Limited, Kamat

	Eateries Private Limited, Karaoke Amusements Private Limited, Kamat Holiday Resorts Limited, Kamburger Foods Private Limited and Kamats Club Private Limited
Stock Exchanges	NSE and BSE are jointly referred to as Stock Exchanges
Supplemental Trust Deed	Deed dated August 13, 2010 is an extension of the Trust Deed in order to modify / change certain conditions as set out in the Trust Deed.
Supplemental Agency Agreement	Agreement dated August 13, 2010 is an extension of the Agency Agreement in order to modify / change certain conditions as set out in the Agency Agreement.
Target Company / KHIL	Kamat Hotels (India) Limited, Mumbai, Maharashtra, India
Target Company's Mandatory Conversion Date / Conversion Date	On lapse of Bondholder's Conversion Date, the Board of Directors of the Target Company at its meeting held on December 13, 2011 has decided to issue a written notice dated December 13, 2011 to the Bondholder specifying the Target Company's Mandatory Conversion Date as 'January 30, 2012'
TDS	Tax Deduction at Source
Tendering Period / TP	Period within which Shareholders of Target Company may tender their equity shares in acceptance to the Offer i.e., the period starting from December 20, 2012 to January 3, 2013
Trustee	The Bank of New York Mellon; One Canada Square, 40th Floor, London, United Kingdom
Trust Deed	Deed dated March 13, 2007 entered between the Target Company and Trustee pursuant to issuance of US$ 18 million Bonds.
US$	United States Dollar, the legal currency of United States of America
WAP	Weighted Average Price = Total Turnover / Total No. of equity shares traded

1. DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DLOF WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DLOF HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF KAMAT HOTELS (INDIA) LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER, THE PAC OR THE TARGET COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DLOF. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DLOF, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER DULY DISCHARGES THEIR RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, SYSTEMATIX CORPORATE SERVICES LIMITED HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED JANUARY 25, 2012 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES & TAKEOVERS) REGULATIONS, 2011 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE DLOF DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER."

2. DETAILS OF THE OFFER

2.1. BACKGROUND OF THE OFFER

2.1.1. The Offer is a "**Triggered Offer**" under the Regulation 3(1) of the Regulations being jointly made by the Clearwater-Cyprus and Clearwater-Singapore to the equity shareholders of KHIL (except the Acquirer and the PAC) for substantial acquisition of equity shares and voting rights without any change in control or management thereof.

2.1.2. The Target Company had offered to issue US$18,000,000 5.50% coupon Bonds through the Offering Circular dated March 13, 2007 pursuant to the approval of the Board of Directors of the Target Company in their meeting held on April 30, 2006 and the Special Resolution was passed in the 19th Annual General Meeting of the members of the Target Company held on September 23, 2006.

2.1.3. Clearwater-Cyprus had subscribed to the said Bonds with an option to convert those Bonds into equity shares of the Target Company as per the terms and conditions specified in the Offering Circular. These Bonds were listed on SGX-ST with a trading lot of US$2,000,000. The Common Code and ISIN of these Bonds were 028940521 and XS0289405218 respectively.

2.1.4. A Trust Deed was entered between the Target Company and the Trustee. Simultaneously, an Agency Agreement was also entered between the Target Company, the Trustee, the Registrar, the Principal Paying and Conversion Agent and the Paying and Conversion Agent and Transfer Agent.

2.1.5. Pursuant to the press note issued by the Government of India, Ministry of Finance being F. No. 9/3/2009 ECB dated February 15, 2010; the Board of Directors of the Target Company on May 8, 2010 and June 10, 2010 and the shareholders on June 10, 2010 have resolved and approved the amendment to: (i) certain provisions of the Trust Deed; (ii) certain provisions of the Conditions of the Bonds and (iii) the Agency Agreement.

2.1.6. The Shareholders of the Target Company at their EGM held on June 10, 2010 passed a Special Resolution approving and authorizing the Board of Directors of the Target Company to revise the original conversion price of `225/- per equity share and to amend the terms and conditions of the Bonds and the Trust Deed dated March 13, 2007. The Board of Directors of the Target Company at its meeting held on June 10, 2010 revised and approved the Conversion Price of `135/- per equity share for mandatory conversion of FCCBs.

2.1.7. The RBI vide its letter dated July 13, 2010 has granted approval and permission to revise the Conversion Price of the Bonds as referred to in the Trust Deed.

2.1.8. Thereafter, the Target Company entered into a Supplemental Trust Deed and Supplemental Agency Agreement with respective parties.

2.1.9. Simultaneously, an Inter-se Agreement was executed between the Acquirer, the Target Company and the Specified Promoters of the Target Company. Some of the salient features of the Inter-se Agreement are as follows:

i. Neither of the Specified Promoters nor the Target Company shall take any action or omit to take any action which has or may have the effect of describing, treating, identifying, representing or holding out Clearwater-Cyprus as a "Promoter" of the Target Company.

ii. Neither of the Specified Promoters nor the Target Company shall enter into any arrangement, agreement or understanding which conflicts with, restricts or render unenforceable any of the rights of Clearwater-Cyprus.

iii. The Target Company shall not and the Specified Promoters shall ensure that the Target Company does not, issue or commit to issue any equity shares at a price that is lower than the Conversion Price.

iv. Within 90 days from the conversion of the Bonds the Target Company shall ensure that the Conversion Equity Shares are listed on relevant stock exchanges.

v. The Target Company shall not take any actions with respect to altering its share capital, any corporate restructuring, setting up of/creation of subsidiaries, entering into joint ventures unless prior consent is obtained from the Acquirer or the Clearwater Director.

vi. Within 30 days of issue of Conversion Equity Shares, the Target Company file with RBI, Form FC-GPR and other relevant documents in accordance with FEMR

vii. The Target Company and the Specified Promoters expressly agree and undertake that Representations and Warranties contained in the Inter-se Agreement will be valid and enforceable against the Target Company and the Specified Promoters by Clearwater-Cyprus.

viii. Each of the Representations and Warranties are to be construed independently of the others and is not limited by reference to any other Representation or Warranty.

ix. Clearwater-Cyprus shall have the right to nominate one Director on the Board of the Target Company ("**Clearwater Director**") and such director shall not be liable to retire by rotation and shall not be designated as a "Promoter" of the Target Company.

2.1.10. As per the Supplemental Trust Deed, the Bondholders were to convert, within a period of three months from the "**Effective Date"** i.e. August 13, 2010 at least US$ 4,475,000 Bonds into equity shares of the Target Company. Clearwater-Cyprus converted Bonds equivalent to US$ 5,629,000 into equity shares of the Target Company on August 25, 2010. Further, the Bondholder of each Bond could convert all outstanding Bonds into equity shares of the Target Company on or before December 1, 2011 ("**Bondholder Conversion Date**") as per the Supplement Trust Deed.

2.1.11. If all Bonds have not been converted by the Bondholder's Conversion Date; the Target Company is entitled to fix a mandatory conversion date for these Bonds in manner summarised in para 2.1.12, on or prior to the Bond's Maturity Date i.e. March 14, 2012. The Acquirer did not exercise its option to convert the remaining Bonds into equity shares of the Target Company till December 1, 2011.

2.1.12. On lapse of Bondholder's Conversion Date, the Board of Directors of the Target Company at its meeting held on December 13, 2011 has decided to cause Company Mandatory Conversion Notice dated December 13, 2011 to the Bondholder specifying the Target Company's Mandatory Conversion Date as January 30, 2012.

2.1.13. The Bondholder had the right to convert the Bonds into equity shares of the Target Company not later than 7 Business Days (excluding Saturdays, Sundays and Bank Holidays in Mumbai, London, New York and Singapore) prior to Target Company's Mandatory Conversion Date as per the terms and conditions specified in the Supplemental Trust Deed. If the bondholder did not exercise its right to convert Bonds into equity shares then the Bonds would mandatorily be converted into equity shares of the Target Company on the Mandatory Conversion Date.

2.1.14. Clearwater-Cyprus exercised its right to convert the remaining US$ 5,966,000 Bonds into equity shares of the Target Company and to effect the conversion, a written "**Conversion Notice**" was served to the Principal Paying and Conversion Agent after the Board of Directors of Clearwater-Cyprus had passed a resolution to convert the remaining Bonds on January 11, 2012.

2.1.15. Simultaneously, by virtue of triggering of Regulation 3(1) of the Regulations due to conversion of remaining Bonds into equity shares; the PA was made with NSE and BSE on January 11, 2012 in compliance with Regulation 13(2) of the Regulations by the Acquirer alongwith the PAC. The PA was also submitted with SEBI and the Target Company on the same day in compliance with the Regulations.

2.1.16. As on date of this LOF, Clearwater-Cyprus holds 5,895,999 equity shares aggregating to 30.87% of the total existing paid-up and voting capital, out of which 1,954,196 equity shares (i.e. Conversion Equity Shares) aggregating to 10.23% have been kept in a Demat Escrow Account, lien being marked to the Manager to the Offer .

2.1.17. Upon conversion of US$ 5,966,000 Bonds at Conversion Price of `135/- each per equity share at a pre-determined exchange rate of US$ to Rupees (`) i.e. `44.22 per US$ a total of 1,954,196 equity shares or Conversion Equity Shares were allotted to Clearwater-Cyprus by the Target Company of which 1,954,196 equity shares (i.e. Conversion Equity Shares) aggregating to 10.23% have been kept in a Demat Escrow Account, lien being marked to the Manager to the Offer January 30, 2012.

2.1.18. The equity shares held by Clearwater-Cyprus are due to conversion of US$ 18,000,000 Bonds in three tranches during August 2010, November 2011 and January 2012. Clearwater-Singapore holds 257,431 equity shares aggregating to 1.50% of the total existing paid-up and voting capital of the Target Company. The equity shares held by Clearwater-Singapore is by way of market purchase in November 2009.

2.1.19. As on this date of LOF, the Acquirer's holding along with the PAC's holding in the Target Company would aggregate to 6,153,430 equity shares aggregating to 32.23% of the post-conversion equity share and voting capital or the diluted share capital of the Target Company upon transfer of Conversion Equity Shares to the Acquirer.

2.1.20. The Offer Price of `135/- each per equity share is payable in "**Cash**" in accordance with Regulation 9(1)(a) of the Regulations.

2.1.21. The Conversion Equity Shares have been kept in a separate 'Demat Escrow Account' in compliance with Regulation 22(1) of the Regulations. The Manager to the Offer has opened a Demat Escrow Account in the name and style as "**Systematix Corporate Services Ltd Escrow A/c Clearwater Capital Partners – Open Offer**" (Client ID: 10935926) with IndusInd Bank Limited (DP ID: IN300159) ("**Escrow Agent**") through Escrow Demat Agreement. The Manager to the Offer has right to operate the Demat Escrow Account as per conditions stipulated in the Escrow Demat Agreement. Upon fulfilment of the Offer related formalities, the Conversion Equity Shares will be transferred to the Acquirer's DP account and the said account will be closed for good.

2.1.22. There is no agreement between the Acquirer and the PAC with regard to Offer /acquisition of equity shares. The PAC will not acquire any equity shares being tendered and accepted in the Offer. All the Open Offer equity shares will be acquired by the Acquirer only.

2.1.23. The Acquirer and the PAC have not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act or under any other regulation made under the SEBI Act.

2.1.24. The Acquirer and the PAC do not intend / propose to make any changes in the Board of Directors or the management of the Target Company after the Offer except for re-appointment of a Clearwater Director.

2.1.25. As per Regulation 26(6) of the Regulations, the Board of Directors of the Target Company had constituted a committee of Independent Directors ("**IDC**") on January 20, 2012 to provide their written reasoned recommendation on the Offer to the Shareholders of the Target Company and such recommendations shall be published at least two working days before the commencement of the TP in the same newspapers where the DPS related to the Offer was published in compliance with Regulation 26(7) of the Regulations.

2.1.26. SEBI, in its observation letter dated November 30, 2012 ("**Observation Letter**"), has *inter-alia* made the following observations:

a. that the Inter-se Agreement gives certain veto rights to the Acquirer which apparently relate to policy decisions to the Target Company;

b. that in view of the terms of the Inter-se Agreement, the Acquirer has acquired 'Control' over the Target Company pursuant to signing of the said agreement;

c. that the Acquirer was, therefore, bound to make the PA under Regulation 12 read with Regulation 14(3) of SEBI (SAST) Regulations, 1997 ("**Old Regulations**") which the Acquirer has failed to do;

d. that consequently, the Offer Price should be revised as being the higher of the following:

i. The price calculated assuming the execution of the Inter-se Agreement triggered an open offer under Regulation 12 of the Old Regulations along with interest @ 10% per annum for delay thereon i.e., from August 13, 2010 (being the date of execution of the Inter-se Agreement) until January 11, 2012 ("**Delayed Period**"); or

ii. The price calculated for this Offer as disclosed in the DPS and the DLOF.

2.1.27. The Acquirer is aggrieved by the observation of SEBI that the rights granted to the Acquirer under the Inter-Se Agreement gives the Acquirer the ability to control the Target Company (as the term "control" is defined under the Takeover Regulations). The Acquirer proposes to file an appeal before the Securities Appellate Tribunal ("**SAT**") challenging the said observation. Without prejudice to the rights of the Acquirer in such appeal, for the purpose of this Offer, the Acquirer has computed the Offer Price as per the requirements of SEBI as set out in Para 2.1.26(d)(i) above. The price as per this formula is in any case lower than the Offer Price of `135 per Share already offered by the Acquirer for this Offer. Therefore, there would be no variation to the Offer Price, although the Acquirer is challenging the direction of SEBI to treat the Offer as an offer triggered under Regulation 12 of the Old Regulations. Please refer to Para 5.1.4 for detailed computation of the Offer Price as per SEBI's Observation Letter.

2.1.28. SEBI in its Observation Letter has also required the Merchant Banker to disclose that SEBI may initiate appropriate penal action against the Acquirer / the Promoters of the Target Company / Target Company for alleged violations of Takeover Regulations and SEBI Act, 1992. As set out above, the Acquirer proposes to file an appeal before the SAT in relation to these observations of SEBI.

2.2. DETAILS OF THE PROPOSED OFFER

2.2.1. The Acquirer and the PAC had released the DPS on January 18, 2012 which appeared in the following newspapers:

Sl. No.	Newspapers	Language	Editions
1.	Business Standard	English	All India Editions
2.	Business Standard	Hindi	All India Editions
3.	Apla Mahanagar	Marathi	Mumbai Edition

A copy of the PA the DPS, the DLOF and the LOF are also available on the SEBI's website: www.sebi.gov.in

2.2.2. The Acquirer and the PAC have jointly made the Offer in accordance with the Regulation 3(1) of the Regulations vide the PA dated January 11, 2012 to all the shareholders of the Target Company for the acquisition of 4,964,283 (Forty-Nine Lac Sixty-Four Thousand Two Hundred and Eighty-Three) equity shares of the face value of `10/- each representing 26% of the post-conversion paid-up equity share and voting capital of the Target Company at a price of `135/- (Rupees One Hundred and Thirty-Five Only) per equity share payable in "**Cash**" and subject to the terms and conditions set out in the DPS and this LOF.

2.2.3. The Offer is being made to all the shareholders of the Target Company except the Acquirer and the PAC. The equity shares of the Target Company under the Offer will be acquired by the Acquirer as fully paid up, free from any lien, charges and encumbrances and together with the rights attached thereto, including all rights to dividend, bonus and rights offer declared thereof. There are no partly paid-up equity shares in the Target Company.

2.2.4. The Offer is neither conditional upon any minimum level of acceptance in terms of Regulation 19(1) of the Regulations nor it is a competitive bid in terms of Regulation 20 of the Regulations.

2.2.5. The Acquirer and the PAC have not acquired any equity shares of Target Company after the date of PA i.e. January 11, 2012 and upto the date of this LOF.

2.2.6. The Offer (assuming full acceptances) will not result in the public shareholding to fall below 25% of its outstanding equity share capital of the Target Company. In the event that equity shares accepted in the Open Offer are such that shareholding of the Acquirer together with the Persons Acting in Concert result in the shareholding exceeding the maximum non-public shareholding, the Acquirer will, in accordance with Regulation 7(4) of the Regulations, facilitate the Target Company to raise the level of public shareholding to the level specified for continuous listing as per the Listing Agreement with the stock exchanges where the equity shares of the Target Company are listed within the specified time and in accordance with the prescribed procedure under clause 40A(ii) of the Listing Agreement and in compliance with the Regulations.

2.3. OBJECT OF THE ACQUISITION / OFFER

2.3.1. The prime object and purpose of the acquisition of equity shares by the Acquirer is to comply with the Regulations due to the proposed conversion of Bonds into equity shares of the Target Company resulting in triggering of Regulation 3(1) of the Regulations without any change in control or management thereof.

2.3.2. The Acquirer is a financial investor and the existing stake has been as a result of conversion of the FCCBs. The Acquirer and the PAC intend to remain as financial investors in the Target Company. They will look for suitable exit options at an appropriate time and opportunity.

2.3.3. The existing management of the Target Company shall continue with the current business without any day-to-day intervention in operations from the Acquirer and the PAC. As a result, there would not be any repercussions of the acquisition by the Acquirer and the PAC on the employment and the locations of the Target Company's places of business.

2.3.4. Neither the Acquirer nor the PAC want to take the control of the Target Company and the earlier appointment of Clearwater Director was for safeguarding the investment made by the Acquirer in the Target Company. Currently, there is no Clearwater Director on the Board of Directors of the Target Company.

2.3.5. The Acquirer and the PAC also do not intend to delist the equity shares of the Target Company in the next 2 years from the stock exchanges where the equity shares are listed.

2.3.6. The Acquirer and the PAC do not have any plans to dispose of or otherwise encumber any assets of the Target Company or any of its subsidiaries in the succeeding two years from the date of closure of the TP, except in the ordinary course of business. It will be the discretion of the Board of Directors of the Target Company to take appropriate decision in these matters as per the requirements of the business/industry and in line with opportunities from time to time. Such steps by the Board of Directors of the Target Company shall be in compliance with applicable provisions of the Companies Act, 1956, and/or other applicable laws at the relevant time.

3. BACKGROUND OF THE ACQUIRER AND THE PAC

3.1. DETAILS OF THE ACQUIRER – CLEARWATER CAPITAL PARTNERS (CYPRUS) LIMITED

3.1.1. Clearwater-Cyprus was incorporated under the Companies Law, Cap. 113 as a 'Limited Liability Company' on February 10, 2004 in the Republic of Cyprus. The CIN of Clearwater-Cyprus is 145518. There is no change in the name of the Clearwater-Cyprus since inception.

3.1.2. As per MOA of Clearwater-Cyprus, the objects for which it is established are to carry on the business of a holding and an investment company, to provide services as business consultants, to acquire and lease property and equipment and to acquire other businesses etc. The principal activity of Clearwater-Cyprus is investment in securities (equity and debt) particularly in Asia.

3.1.3. The Registered Office of Clearwater-Cyprus is situated at 12 Esperidon Street, 4th Floor, Nicosia, Cyprus (1087). Tel. No. +357-224-74000; Fax No. +357-224-74888; Email: ccpcyprus@clearwatercp.com

3.1.4. Clearwater-Cyprus is a financial investor and belongs to "**Clearwater Capital Partners**" group and the investment in the Target Company was to provide growth capital.

3.1.5. Clearwater-Cyprus has a wholly-owned subsidiary namely "Clearwater Capital Partners (India) Private Limited" ("**Clearwater-India**") which is engaged into NBFC activities.

3.1.6. Clearwater-Singapore, the PAC, is acting within the meaning of Regulation 2(1)(q)(1) of the Regulations in relation to this Offer with Clearwater-Cyprus. Both the Acquirer and the PAC belong to the same group as mentioned in para 3.1.4.

3.1.7. The equity shares of Clearwater-Cyprus are not listed on any stock exchange in India or/and abroad.

3.1.8. As on the date of this LOF, the paid up equity share capital of the Acquirer was US$ 17,909 divided into 7,000 equity shares of € 1.71/-* each. The promoter group of Clearwater-Cyprus held 100% in the paid up equity share capital of the Acquirer as on September 30, 2012. Shareholding pattern of the Acquirer as on September 30, 2012 as follows:

Sl. No.	Shareholder's Category	No. of Shares held	% of holding
1	**Promoters and Promoter Group:**		
	Clearwater Capital Partners Fund I, LP	1,334	19.06
	Clearwater Capital Partners Fund II, LP	1,000	14.29
	Clearwater Capital Partners Fund III, LP	1,000	14.29
	Clearwater Capital Partners Fund IV, LP	1,000	14.29
	Asian Development Finance, LP	1,333	19.04
	Clearwater Capital Partners LTV Master, LP	1,333	19.04
	Total of (1)	**7,000**	**100.00**
2	**FII / Mutual-Funds / FIs / Banks**	Nil	0.00
3	**Public**	Nil	0.00
	Total Paid Up Capital (Total of 1+2+3)	**7,000**	**100.00**

*The face value per share at the time of inception of the Acquirer was CY£ 1 and the equity shares were issued at a premium of CY£ 320.05 per equity share. With effect from January 1, 2008, the authorised, issued and subscribed capital was converted into € (Euro) with a nominal value of € 1.71 per share. The paid-up equity share capital is calculated in terms of US$.

3.1.9. Due to conversion of US$ 18,000,000 Bonds, a total of 5,895,999 equity shares aggregating to 30.87% of the total existing paid-up and voting capital of the Target Company were allotted by KHIL to the Acquirer. The Acquirer has complied with Chapter V of the Regulations in time while conversion of these Bonds into equity shares of the Target Company.

3.1.10. The details of Board of Directors of Clearwater-Cyprus as on the date of this LOF are as follows:

Name	Qualifications	Experience	Designation	DIN	Date of Appointment
Mr. Robert Dean Petty	Bachelor of Arts in Political Science	27 years in the field of Investment and Management	Director	00385586	February 10, 2004
Mrs. Arlene Nahikian	LCC Accounting (Higher Stage)	27 years in the field of accounting	Director	Not Applicable	February 10, 2004
Mr. Costas Christoforou	B.Sc., Accounting	23 years in the field of accounting	Director	Not Applicable	March 21, 2005

As on the date of this LOF, none of the above directors is on the Board of the Target Company. None of the directors who are on the Board of Target Company or any key managerial person of KHIL represent the Acquirer or the PAC.

3.1.11. Brief audited consolidated financial statements of the Acquirer for the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009 and standalone un-audited financial statements for the nine months ended September 30, 2012, as certified by the auditors of the Acquirer, are as below:

i. Financial Statements of the Acquirer in US$

(Figures in **US$ million** except Other Financial Data)

Profit & Loss Account	**For nine months ended on September 30, 2012**	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**
	Standalone	**Consolidated**	**Consolidated**	**Consolidated**
	Unaudited@	**Audited**	**Audited**	**Audited**
Income from Operations	7.44	14.79	46.88	61.70
Other Income	-	1.15	2.81	2.39
Total Income	**7.44**	**15.94**	**49.69**	**64.09**
Total Expenditure	6.30	11.40	45.87	64.04
PBDIT	**1.14**	**4.54**	**3.82**	**0.05**
Depreciation	-	-	-	-
Interest	-	-	-	-
Profit/(Loss) Before Tax	**1.14**	**4.54**	**3.82**	**0.05**
Provision for Tax	0.22	2.44	2.76	(1.61)
Profit/(Loss) After Tax	**0.92**	**2.10**	**1.06**	**1.66**
Balance Sheet				
Sources of Funds				
Capital Account	0.02	0.02	0.02	0.02
Reserves and Surplus*	10.66	9.74	10.76	9.29
Net worth	**10.68**	**9.76**	**10.78**	**9.31**
Secured Loans	-	-	-	-
Unsecured Loans	114.90	112.88	180.18	217.33
Total	**125.58**	**122.64**	**190.96**	**226.64**
Uses of Funds				
Net Fixed Assets	-	0.11	0.16	0.21
Investments	121.23	82.33	142.58	193.16
Current Assets Loan and Advances	4.44	51.11	58.67	42.90
Current Liabilities	0.09	10.91	10.45	9.63
Net Current Assets	4.35	40.20	48.22	33.27

Total Misc. Exp. Not Written Off	-	-	-	-
Total	**125.58**	**122.64**	**190.96**	**226.64**
Other Financial Data				
Dividend (%)	Nil	Nil	Nil	Nil
EPS (in US$)	130.90 #	300.02	176.79	276.04

*excluding Revaluation Reserves; @certified by Statutory Auditors; # not annualised

ii. Financial Statements of the Acquirer in INR

(Figures in ` **million** except Other Financial Data)

Profit & Loss Account	**For nine months ended on September 30, 2012**	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**
	Standalone	**Consolidated**	**Consolidated**	**Consolidated**
	Unaudited@	**Audited**	**Audited**	**Audited**
RBI Reference Rate	**1US$ = `52.2255**			
Income from Operations	388.51	772.34	2,448.56	3,222.41
Other Income	-	59.85	146.57	124.57
Total Income	**388.51**	**832.19**	**2,595.13**	**3,346.97**
Total Expenditure	329.04	595.11	2,395.37	3,344.33
PBDIT	**59.47**	**237.08**	**199.76**	**2.64**
Depreciation	-	-	-	-
Interest	-	-	-	-
Profit/(Loss) Before Tax	**59.47**	**237.08**	**199.76**	**2.64**
Provision for Tax	11.61	127.39	144.36	(83.86)
Profit/(Loss) After Tax	**47.86**	**109.69**	**55.40**	**86.50**
Balance Sheet				
Sources of Funds				
Capital Account	0.94	0.94	0.81	0.81
Reserves and Surplus	556.66	508.80	562.17	485.15
Net worth	**557.60**	**509.74**	**562.98**	**485.96**
Secured Loans	-	-	-	-
Unsecured Loans	6,000.94	5,895.47	9,409.84	11,350.55
Total	**6,558.54**	**6,405.21**	**9,972.82**	**11,836.51**
Uses of Funds				
Net Fixed Assets	-	5.91	8.36	10.99
Investments	6,331.17	4,299.59	7,446.19	10,087.86
Current Assets Loan and Advances	232.04	2,669.50	3,064.26	2,240.62
Current Liabilities	4.67	569.79	545.99	502.95
Net Current Assets	227.37	2,099.71	2,518.27	1,737.66
Total Misc. Exp. Not Written Off	-	-	-	-
Total	**6,558.54**	**6,405.21**	**9,972.82**	**11,836.51**
Other Financial Data				
Dividend (%)	Nil	Nil	Nil	Nil
EPS (in `)	6836.32 #	15668.79	9233.12	14,416.53

*excluding Revaluation Reserves; @certified by Statutory Auditors; # not annualised

Note: The FY of Clearwater-Cyprus starts on January 1st of every year and ends on December 31st of the same year. Figures have been re-grouped and rounded-off wherever required.

3.1.12. There are no contingent liabilities in Clearwater-Cyprus as on December 31, 2011.

3.1.13. Clearwater-Cyprus undertakes that it will not to sell the equity shares of the Target Company held by them during the Offer Period in terms of Regulation 25(4) of the Regulations.

3.1.14. Clearwater-Cyprus undertakes that it will not acquire any equity shares of the Target Company during the period between three working days prior to the commencement of the TP and until the closure of the TP as per the Regulation 18(6) of the Regulations.

3.2. DETAILS OF THE PAC – CLEARWATER CAPITAL PARTNERS SINGAPORE FUND III PRIVATE LIMITED

3.2.1. Clearwater-Singapore was incorporated under the Companies Act (Cap. 50) as a 'Private Limited Company' limited by shares on August 28, 2007 in the Republic of Singapore and the 'Certificate of Incorporation' was obtained from Registrar of Companies & Business, Singapore on August 29, 2007. The Registration Number of the PAC is 200715814R. There is no change in the name of the PAC since inception.

3.2.2. As per MOA of Clearwater-Singapore, it has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and for the purposes of the foregoing, has full rights, powers and privileges.

3.2.3. The Registered Office of the PAC is situated at 4 Battery Road, #34-01, Bank of China Building, Singapore 049908. Tel. No. +65-6827-9250; Fax No. +65-6827-9268; Email: clearwatersg@clearwatercp.com

3.2.4. Clearwater-Singapore is a financial investor and belongs to "**Clearwater Capital Partners**" group. The PAC and the Acquirer are related to the extent that they belong to the same group.

3.2.5. The equity shares of Clearwater-Singapore are not listed on any stock exchange in India or/and abroad.

3.2.6. As on the date of this LOF, the paid up equity share capital of the PAC was US$ 55,000 divided into 55,000 equity shares of US$ 1/- each. The promoter i.e. Clearwater Capital Partners Fund III, LP of Clearwater-Singapore held 100% in the paid up equity share capital of the PAC as on September 30, 2011. Shareholding pattern of the PAC as on September 30, 2011 is as follows:

Sl. No.	Shareholder's Category	No. of Shares held	% of holding
1	**Promoters and Promoter Group:**		
	Clearwater Capital Partners Fund III, LP	55,000	100.00
	Total of (1)	**55,000**	**100.00**
2	**FII / Mutual-Funds / FIs / Banks**	Nil	0.00
3	**Public**	Nil	0.00
	Total Paid Up Capital (Total of 1+2+3)	**55,000**	**100.00**

3.2.7. As on date of this LOF, Clearwater-Singapore holds 257,431 equity shares aggregating to 1.35% of the total existing paid-up and voting capital of the Target Company. The equity shares held by Clearwater-Singapore is by way of market purchase during November 2009. Hence, compliance w.r.t. Chapter V of the Regulations was not applicable to Clearwater-Singapore.

3.2.8. The details of Board of Directors of Clearwater-Singapore as on the date of this LOF are as follows:

Name	Qualifications	Experience	Designation	DIN	Date of Appointment
Mr. Robert Dean Petty	Bachelor of Arts in Political Science	27 years in the field of Investment and Management	Director	00385586	August 28, 2007
Mr. Chiang Yao Chye	M.A. and Ph.D. in Economics	18 years in the field of finance, investment and management	Director	02660184	May 15, 2009

As on the date of this LOF, none of the above directors is on the Board of the Target Company. Clearwater-Singapore does not have any relationship or interest including interest of directors or key employees in the Target Company except to the extent of its shareholding in the Target Company.

3.2.9. Clearwater-Singapore will not acquire any equity shares being tendered and accepted in the Offer. All the Open Offer equity shares will be acquired only by Clearwater-Cyprus.

3.2.10. Brief audited financial statements of the PAC for the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009 and un-audited financial statements for the nine months ended September 30, 2012, as certified by the auditors of the PAC, are as below:

i. Financial Statements of the PAC in US$

(Figures in **US$ million** except Other Financial Data)

Profit & Loss Account	**For nine months ended on September 30, 2012**	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**
	Unaudited@	**Audited**	**Audited**	**Audited**
Income from Operations	0.32	(15.84)	29.85	4.07
Other Income	-	0.73	2.32	0.18
Total Income	**0.32**	**(15.11)**	**32.17**	**4.25**
Total Expenditure	0.28	3.10	4.44	16.54
PBDIT	**0.04**	**(18.21)**	**27.73**	**(12.29)**
Depreciation	-	-	-	-
Interest	-	-	-	-
Profit/(Loss) Before Tax	**0.04**	**(18.21)**	**27.73**	**(12.29)**
Provision for Tax	-	-	-	-
Profit/(Loss) After Tax	**0.04**	**(18.21)**	**27.73**	**(12.29)**
Balance Sheet				
Sources of Funds				
Capital Account	178.11	143.56	143.56	68.06
Reserves and Surplus*	(29.47)	(29.52)	(11.31)	(39.04)
Net worth	**148.64**	**114.04**	**132.25**	**29.02**
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
Total	**148.64**	**114.04**	**132.25**	**29.02**
Uses of Funds				
Net Fixed Assets	-	-	-	-
Investments	144.95	146.26	199.73	96.68
Current Assets Loan and Advances	3.76	3.83	6.98	3.78
Current Liabilities	0.07	36.05	74.46	71.44
Net Current Assets	3.69	(32.22)	(67.48)	(67.66)
Total Misc. Exp. Not Written Off	-	-	-	-
Total	**148.64**	**114.04**	**132.25**	**29.02**
Other Financial Data				
Dividend (%)	Nil	Nil	Nil	Nil
EPS (in US$)	0.77#	(331.16)	504.21	(223.52)

*excluding Revaluation Reserves; @certified by Statutory Auditors; # not annualised

ii. Financial Statements of the PAC in INR

(Figures in ` **million** except Other Financial Data)

Profit & Loss Account	For nine months ended on September 30, 2012	For the year ended December 31, 2011	For the year ended December 31, 2010	For the year ended December 31, 2009
	Unaudited@	Audited	Audited	Audited
RBI Reference Rate	**1US$ = `52.2255**			
Income from Operations	16.90	(827.17)	1,558.93	212.60
Other Income	-	37.89	121.41	9.43
Total Income	**16.90**	**(789.28)**	**1,680.34**	**222.03**
Total Expenditure	14.68	161.96	232.04	864.06
PBDIT	**2.22**	**(951.24)**	**1,448.30**	**(642.03)**
Depreciation	-	-	-	-
Interest	-	-	-	-
Profit/(Loss) Before Tax	**2.22**	**(951.24)**	**1,448.30**	**(642.03)**
Provision for Tax	-	-	-	-
Profit/(Loss) After Tax	**2.22**	**(951.24)**	**1,448.30**	**(642.03)**
Balance Sheet				
Sources of Funds				
Capital Account	9,301.88	7,497.23	7,497.23	3,554.21
Reserves and Surplus*	(1,539.28)	(1,541.50)	(590.26)	(2,038.56)
Net worth	**7,762.60**	**5,955.73**	**6,906.97**	**1,515.65**
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
Total	**7,762.60**	**5,955.73**	**6,906.97**	**1,515.65**
Uses of Funds				
Net Fixed Assets	-	-	-	-
Investments	7,570.13	7,638.69	10,431.16	5,049.45
Current Assets Loan and Advances	195.99	199.63	364.36	197.29
Current Liabilities	3.52	1,882.59	3,888.55	3,731.09
Net Current Assets	192.47	(1,682.96)	(3,524.19)	(3,533.80)
Total Misc. Exp. Not Written Off	-	-	-	-
Total	**7,762.60**	**5,955.73**	**6,906.97**	**1,515.65**
Other Financial Data				
Dividend (%)	Nil	Nil	Nil	Nil
EPS (in `)	40.32	(17,295.28)	26,332.62	(11,673.21)

*excluding Revaluation Reserves; @certified by Statutory Auditors; # not annualised

Note: The FY of Clearwater-Singapore starts on January 1st of every year and ends on December 31st of the same year. Figures have been re-grouped and rounded-off wherever required.

3.2.11. There are no contingent liabilities in Clearwater-Singapore as on December 31, 2011.

3.2.12. Clearwater-Singapore undertakes that it will not to sell the equity shares of the Target Company held by them during the Offer Period in terms of Regulation 25(4) of the Regulations.

3.2.13. Clearwater-Singapore undertakes that it will not acquire any equity shares of the Target Company during the period between three working days prior to the commencement of the TP and until the closure of the TP as per the Regulation 18(6) of the Regulations.

4. BACKGROUND OF THE TARGET COMPANY – KAMAT HOTELS (INDIA) LIMITED

4.1. KHIL was incorporated on March 21, 1986 under the Companies Act, 1956 (No. I of 1956) in the state of Maharashtra as "Kamat Hotels (India) Limited" and received the 'Certificate of Incorporation' bearing number 39307/1986 from the Registrar of Companies, Maharashtra. The Target Company received 'Certificate for Commencement of Business' on March 31, 1986 from the Registrar of Companies, Maharashtra, Mumbai.

4.2. There has been no change in the name of the Target Company since inception. The CIN of KHIL is L55101MH1986PLC039307. The Target Company is engaged in the business of hospitality and allied businesses, and its activities may be broadly categorized into (i) operation of hotels owned by the Company, (ii) management of hotels owned by other parties under contract (iii) catering services and (iv) timeshare.

4.3. The Registered Office of KHIL is situated at KHIL House; 70C Nehru Road, Near Santacruz Airport, Vile Parle (East), Mumbai – 400 099, Maharashtra, India. Tel. No.: +91-22-2616 4000; Fax No. +91-22-2616 4201; Email: cs@khil.com; Web: www.khil.com

4.4. The equity shares of the Target Company are listed and traded on NSE and BSE only. The equity shares of KHIL are frequently traded within the meaning of Regulation 2(1)(j) of the Regulations on NSE and BSE. The Scrip ID of the equity shares of KHIL at NSE and BSE are "KAMATHOTEL" and "KAMATHOQ" respectively. The equity shares of the Target Company have not been suspended any time from the date of listing and it has been complying with the relevant listing requirements of BSE and NSE from time to time from the date of listing.

4.5. There are no outstanding convertible instruments (debentures/warrants/ FCDs /PCDs) etc. which will convert into equity shares as on the date of this LOF.

4.6. As on the date of this LOF, the Authorised Share Capital of the Target Company is `3000.00 Lacs comprising of 30,000,000 equity shares of `10/- each. The issued, subscribed, paid up and voting equity share capital of the Target Company is `1909.34 Lacs comprising of 19,093,394 equity shares of `10/- each, fully paid. There are no partly paid equity shares in the Target Company and there is no difference between the issued and listed share capital of KHIL. The share capital structure of the Target as follows:

Paid-up Equity Shares of Target Company	Existing or Diluted or Post Conversion Bonds No. of Equity Shares / Voting Rights	% of Equity Shares / Voting Rights
Fully paid-up Equity Shares	19,093,394	100.00
Partly paid-up Equity Shares	-	-
Total paid-up Equity Shares	19,093,394	100.00
Total Voting Rights in Target Company	**19,093,394**	**100.00**

4.7. B W Highway Star Private Limited ("**BWHSPL**"), Fort Mahodadhi Private Limited ("**FMPL**") and Kamats Restaurants (India) Private Limited (**"KRIPL"**) are the subsidiaries of the Target Company. The Target Company holds 79.17% of the total paid-up and voting capital of BWHSPL and 100% in FMPL and KRIPL. BWHSPL, FMPL and KRIPL are jointly referred to as "**Subsidiaries**" of the Target Company.

4.8. As on the date of this LOF, the composition of the Board of Directors of the Target Company as follows:

Sl. No.	Name	Designation	DIN	Date of Appointment in Target Company
1.	Mr. Vithal V. Kamat	Executive Chairman and Managing Director	00195341	March 21, 1986
2.	Mr. Ramesh N. Shanbhag	Whole-time Director	00195697	January 30, 1999
3.	Mr. Vikram V. Kamat	Executive Director	00556284	July 22, 2006
4.	Mr. Shobhasingh R. Thakur	Independent Director	00001466	July 28, 2003
5.	Mr. Ved Prakash Khurana	Independent Director	00195583	September 28, 2004
6.	Mrs. Rajyalakshmi Rao	Independent Director	00009420	January 22, 2005
7.	Mr. T. M. Mohan Nambiar	Independent Director	00046857	April 30, 2006

Note: Mr. Aswini Sahoo was the nominee director on behalf of Clearwater-Cyprus till July 2012. No other directors who are on the Board of the Target Company or any key managerial person represent either the Acquirer or the PAC. Clearwater Director had not participated in any deliberations of the Board of Directors of the Target Company or vote on any matter in relation to the Offer in terms of Regulation 24(4) of the Regulations from the date of the PA. The Acquirer has not appointed any Clearwater Director subsequent to the resignation of Mr. Aswini Sahoo.

4.9. The Honourable Bombay High Court has sanctioned the 'Composite Scheme of Arrangement and Amalgamation' under Sections 391-394 of the Companies Act, 1956 on January 13, 2012. The Scheme envisages amalgamation of promoters' group entities namely "Kamat Holiday Resorts Private Limited" and "Kamats Restaurants Private Limited" into the Target Company and the Demerger of "Lotus Resort Goa undertaking" of Kamats Holiday Resorts (Silvassa) Limited and merger thereof into the Target Company. '**Appointed Date**' for the Scheme is April 01, 2011. Apart from this there has been no Merger / De-Merger or Spin Off in the Target Company during the last 3 years.

4.10. If equity shares are allotted pursuant to the Scheme by the Target Company prior to the expiration of ten working days from the closure of the TP, then post-amalgamation, paid-up equity share and voting capital shall stand increased from `1909.34 Lac consisting of 19,093,394 equity shares to `2195.44 Lac consisting of 21,954,429 equity shares of `10/- each. Consequently, the total shareholding of the promoter's group of KHIL would stand increased to 12,732,331 equity shares aggregating to 57.99% of the post-amalgamation paid-up equity share and voting capital of the Target Company.

4.11. Consequently, the Acquirer and the PAC will increase the Offer Size to the extent of 26% of the post-amalgamation paid-up equity share and voting capital of the Target Company in accordance with Regulation 7(1) of the Regulations.

4.12. The Acquirer and the PAC will deposit additional amount to the Escrow Account and also pay additional fee to SEBI in compliance with Regulation 17(2) and 16(2) of the Regulations respectively on allotment of equity shares under the Scheme before the expiration of ten working days from the closure of TP in compliance with Regulation.

4.13. The Target Company has submitted a proposal to Corporate Debt Restructuring ("**CDR**") Cell on July 12, 2012 for restructuring of its debts under CDR mechanism as per the guidelines issued by RBI. State Bank of India ("**SBI**") has been appointed as a Monitoring Institution. The final restructuring proposal is under consideration with the Lenders of the Target Company and once it is finalised it will be submitted to CDR Cell for approval.

4.14. The brief audited financial statements for financial years ended March 31, 2012, March 31, 2011 and March 31, 2010 and limited reviewed financial statements for the half year ended September 30, 2012 as certified by the Statutory Auditors of the Target Company, are as below:

(Figures in ` **million** except Other Financial Data)

Profit & Loss Account	**For six months ended on September 30, 2012**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2010**
	Standalone	**Consolidated^^**	**Consolidated^**	**Consolidated^**
	Limited Reviewed$	**Audited**	**Audited**	**Audited**
Income from Operations	639.40	1,578.15	1,263.70	1,064.70
Other Income	134.35	44.37	25.95	108.68
Total Income	**773.75**	**1,622.52**	**1,289.65**	**1,173.38**
Total Expenditure	548.88	1,166.81	892.98	774.14
PBDIT	**224.87**	**455.71**	**396.66**	**399.24**
Depreciation	73.91	182.48	150.59	148.66
Interest	324.76	620.04	372.24	351.81
Profit/(Loss) Before Exceptional Items and Tax	**(173.80)**	**(346.81)**	**(126.17)**	**(101.23)**
Add/(Less): Exceptional Items	(5.49)	(12.64)	5.51	-
Profit/(Loss) Before Tax	**(179.29)**	**(359.46)**	**(120.66)**	**(101.23)**
Provision for Tax and Adjustments	42.56	(63.65)	1.37	(86.57)
Profit/(Loss) After Tax	**(136.73)**	**(295.81)**	**(122.03)**	**(14.66)**
Balance Sheet				
Sources of Funds	Separately provided as per revised Schedule VI format	Separately provided as per revised Schedule VI format		
Capital Account			150.41	131.97
Reserves and Surplus*			1,565.60	1,435.29
Net worth			1,716.01	1,567.27
Minority Interest			122.45	159.82
Secured Loans			5,226.46	4,564.18
Unsecured Loans			922.26	1,253.10
Long Term Trade Deposit			46.96	23.48
Deferred Tax Liability			298.09	263.86
Total			**8,332.24**	**7,831.71**
Uses of Funds				
Net Fixed Assets			7,165.10	6,832.19
Goodwill on Consolidation			191.56	176.76
Investments			1.50	1.00
Foreign Currency (Translation Difference)			-	0.12
Long Term Deposits			804.85	804.85
Current Assets Loan and Advances			590.46	663.24
Current Liabilities			466.43	646.49
Net Current Assets			124.03	16.75
Deferred Tax Assets			45.20	-
Total Misc. Exp. Not Written Off			-	0.04
Total			**8,332.24**	**7,831.71**

Balance Sheet as on	Limited Reviewed September 30, 2012	Audited March 31, 2012
As per revised Schedule VI format	**Standalone**	**Consolidated**
Sources of Funds		
Shareholders' Funds		
Capital Account	196.82	196.82
Reserves and Surplus (excluding Revaluation Reserves)	2,184.17	1,836.53
Net worth	**2,380.99**	**2,033.35**
Minority Interest	-	81.33
Share application money pending allotment	28.61	28.61
Non-Current Liabilities		
Long Term Borrowings	3,002.71	4,867.91
Deferred Tax Liability	247.72	189.50
Other Long Term Liabilities	345.64	337.70
Long Term Provisions	13.93	13.45
Current Liabilities		
Short Term Borrowings	525.27	232.59
Trade Payables	111.96	143.60
Other Current Liablilities	1,325.35	1,264.48
Short Term Provisions	14.36	10.30
Total	**7,996.53**	**9,202.80**
Uses of Funds		
Non- Current Assets:		
Fixed Assets	3,824.67	7,709.00
Non Current Investments	827.89	1.51
Long Term Loans And Advances	2,001.51	147.35
Other Non-Current Assets	849.74	868.77
Current Assets		
Current Investments	0.50	0.50
Inventories	40.12	50.44
Trade Receivables	127.75	141.16
Cash and Bank Balances	78.73	145.17
Short Term Loans and Advances	96.81	132.20
Other Current Assets	148.82	6.71
Total	**7,996.53**	**9,202.80**

Other Financial Data	For six months ended on September 30, 2012	For the year ended March 31, 2012	For the year ended March 31, 2011	For the year ended March 31, 2010
	Standalone	**Consolidated^^**	**Consolidated^**	**Consolidated^**
	Limited Reviewed$	**Audited**	**Audited**	**Audited**
Dividend (%)	Nil	Nil	Nil	Nil
Earning Per Share in `	(7.16)	(17.15)	(7.00)	(1.11)
Return on Net worth (%)	(6)	(15)	(7.11)	(0.94)
Book Value Per Share (`)	124.70	106.50	114.09	118.76

*excluding Revaluation Reserves; # not annualised

$ Results for 6 months period ending on September 30, 2012 have been limited reviewed by the statutory auditors of the Target Company and approved by the Board of Directors on November 12, 2012.

^^KRIPL and FMPL became subsidiaries of KHIL during FY 2011-12.

^ BWHSPL was the only subsidiary of the Target Company for the FY 2010-2011 and FY 2009-2010.

4.15. Pre and Post Offer Shareholding Pattern of the KHIL as on date of this LOF is and shall be as follows:

4.15.1 Based on acceptance not known from any category

Shareholders' Category	Shareholding & voting rights prior to the agreement /acquisition and offer/the conversion of FCCBs		Shares / voting rights acquired pursuant to conversion of FCCBs which triggered off the Regulations		Shares/ voting rights to be acquired in Open Offer (assuming full acceptances)		Shareholding / voting rights after the acquisition and Offer (assuming full acceptances)	
	A @		B #		C #		A+B+C = D #	
	No.	%	No.	%	No.	%	No.	%
(1) Promoters and Promoter Group								
a) Parties to agreement, if any	NA	NA	NA	NA	NA	NA	NA	NA
b) Promoters other than (a) above	9,871,296	57.59	NA	NA	[•]*	[•]*	[•]*	[•]*
Total 1 (a+b)	**9,871,296**	**57.59**	**NA**	**NA**	**[•]***	**[•]***	**[•]***	**[•]***
(2) Acquirer and PAC								
a) Acquirer								
Clearwater-Cyprus	3,941,803	23.00	1,954,196	10.23	4,964,283	26.00	10,860,282	56.88
b) PAC								
Clearwater-Singapore	257,431	1.50	NA	NA	NA	NA	257,431	1.35
Total 2 (a+b)	**4,199,234**	**24.50**	**1,954,196**	**10.23**	**4,964,283**	**26.00**	**11,117,713**	**58.23**
(3) Parties to agreement other than 1 (a) & (b)	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
(4) Public (other than parties to the agreement, Acquirer & PACs)								
a) FIs/MFs/FIIs/Banks	51,746	0.30	NA	NA	[•]*	[•]*	[•]*	[•]*
b) Bodies Corporate	724,069	4.22	NA	NA	[•]*	[•]*	[•]*	[•]*
c) Clearing Members	118,379	0.69	NA	NA	[•]*	[•]*	[•]*	[•]*
d) NRIs	200,120	1.17	NA	NA	[•]*	[•]*	[•]*	[•]*
e) Foreign Corporate Bodies	1,100	0.01	NA	NA	[•]*	[•]*	[•]*	[•]*
f) Indian Public	1,973,254	11.51	NA	NA	[•]*	[•]*	[•]*	[•]*
Total (4) (a+b+c+d+e+f)	**3,068,668**	**17.90**	**NA**	**NA**	**[•]***	**[•]***	**[•]***	**[•]***
Grand Total (1+2+3+4)	**17,139,198**	**100.00**	**1,954,196**	**10.23**	**4,964,283 ^**	**26.00**	**19,093,394 ^**	**100.00**

@ Percentage in Column A is calculated on 17,139,198 equity shares of KHIL i.e. prior to conversion of 5966 FCCBs paid-up equity share and voting capital of KHIL.

Percentage in Column B, C and D are calculated on 19,093,394 equity shares of KHIL i.e. post-conversion of 5966 FCCBs paid-up equity and voting share capital of KHIL

* The figures will depend on response from each category

Note: The total numbers of Shareholders of KHIL are 7697 as on Identified Date.

4.15.2 Based on acceptance on proportionate basis from each category

Shareholders' Category	Shareholding & voting rights prior to the agreement /acquisition and offer/the conversion of FCCBs		Shares / voting rights acquired pursuant to conversion of FCCBs which triggered off the Regulations		Shares/ voting rights to be acquired in Open Offer (assuming full acceptances)		Shareholding / voting rights after the acquisition and Offer (assuming full acceptances)	
	A @		B #		C #		A+B+C = D #	
	No.	%	No.	%	No.	%	No.	%
(1) Promoters and Promoter Group								
a) Parties to agreement, if any	NA	NA	NA	NA	NA	NA	NA	NA
b) Promoters other than (a) above	98,71,296	57.59	NA	NA	-3787020	-19.83	60,84,276	31.87
Total 1 (a+b)	**98,71,296**	**57.59**	**NA**	**NA**	**-3787020**	**-19.83**	**60,84,276**	**31.87**
(2) Acquirer and PAC								
a) Acquirer								
Clearwater-Cyprus	39,41,803	23.00	19,54,196	10.23	49,64,283	26.00	1,08,60,282	56.88
b) PAC								
Clearwater-Singapore	2,57,431	1.50	NA	NA	NA	NA	2,57,431	1.35
Total 2 (a+b)	**41,99,234**	**24.5**	**19,54,196**	**10.23**	**49,64,283**	**26.00**	**1,11,17,713**	**58.23**
(3) Parties to agreement other than 1 (a) & (b)	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
(4) Public (other than parties to the agreement, Acquirer & PACs)								
a) FIs/MFs/FIIs/Banks	51,746	0.30	NA	NA	-19852	-0.10	31,894	0.17
b) Bodies Corporate	7,24,069	4.22	NA	NA	-277782	-1.45	4,46,287	2.34
c) Clearing Members	1,18,379	0.69	NA	NA	-45415	-0.24	72,964	0.38
d) NRIs	2,00,120	1.17	NA	NA	-76774	-0.40	1,23,346	0.65
e) Foreign Corporate Bodies	1,100	0.01	NA	NA	-422	0.00	678	0.00
f) Indian Public	19,73,254	11.51	NA	NA	-757018	-3.96	12,16,236	6.37
Total (4) (a+b+c+d+e+f)	**30,68,668**	**17.90**	**NA**	**NA**	**-1177263**	**-6.17**	**18,91,405**	**9.91**
Grand Total (1+2+3+4)	**1,71,39,198**	**100**	**19,54,196**	**10.23**	**0**	**0**	**1,90,93,394**	**100.00**

@ Percentage in Column A is calculated on 17,139,198 equity shares of KHIL i.e. prior to conversion of 5966 FCCBs paid-up equity share and voting capital of KHIL.

Percentage in Column B, C and D are calculated on 19,093,394 equity shares of KHIL i.e. post-conversion of 5966 FCCBs paid-up equity and voting share capital of KHIL

5. OFFER PRICE AND FINANCIAL ARRANGEMENTS

5.1. JUSTIFICATION OF OFFER PRICE UNDER DIRECT ACQUISITION

5.1.1. The equity shares of the Target Company are presently listed and traded on NSE and BSE. The equity shares of the Target Company are frequently traded within the meaning of Regulation 2(1)(j) of the Regulations on the stock exchanges. Further, the equity shares of the Target Company are more frequently traded on NSE as compared to BSE in terms of annualised trading turnover as detailed below:

Name of the Stock Exchange	Total No. of equity shares traded during twelve calendar months prior to the month of the PA	Weighted Average Number of Listed Equity Shares	Trading Turnover (in terms of % to Weighted Average Number of Listed Equity Shares)
NSE	8,173,800	15,216,038	53.72
BSE	3,818,825	15,216,038	25.10

Source: www.nse-india.com; www.bseindia.com

5.1.2. Further, the equity shares of the Target Company are more frequently traded on NSE as compared to BSE in terms of trading volume during the immediately preceding 60 trading days from the date of the PA which is detailed below:

Name of the Stock Exchange	Total No. of equity shares traded during 60 trading days immediately preceding the date of the PA	Total Number of Listed Equity Shares	Trading Turnover (in terms of % to Total Listed Equity Shares)
NSE	1,629,176	17,139,198	9.51
BSE	936,805	17,139,198	5.47

Source: www.nse-india.com; www.bseindia.com

5.1.3. The Offer Price of ` 135/- (Rupees One Hundred and Thirty-Five only) per equity share is justified in terms of Regulation 8(2) and 8(6) of the Regulations as it is higher of the following:

(a)	Highest Negotiated Price per equity share for any acquisition under the Agreement attracting the obligation to make the PA	Not Applicable
(b)	The volume-weighted average price paid or payable for acquisition during the 52 week immediately preceding the date of the PA	Not Applicable
(c)	The highest price paid or payable for any acquisition during 26 weeks period immediately preceding the date of PA	Not Applicable
(d)	The volume-weighted average market price for a period of 60 trading days immediately preceding the date of PA on NSE as stated in para 5.1.2	`105.55
(e)	Outstanding Convertible Instruments convertible into equity shares of the Target Company as a Specific Price i.e. Conversion Price of Bonds	`135.00
(f)	Offer Price in accordance with SEBI's Observations bearing reference no. CFD/DCR/SKS/26869/2012 dated November 30, 2012	`133.68

5.1.4. The calculation for Offer Price as mentioned at para 5.1.3(f) is shown in a tabular form:

(i)	Date of execution of Inter-se Agreement	August 13, 2010
(ii)	SEBI has observed in its Observation Letter that the Acquirer ought to have made an offer under Regulation 12 of the Old Regulations upon execution of the Inter-se Agreement. Accordingly, as per SEBI, the Acquirer ought to have issued a public announcement under Regulation 12 of the Old Regulations within 4 working days of the execution of the Inter-se Agreement.	August 14, 2010
(iii)	Total number of equity shares traded on NSE during the six calendar months prior to August 2010, being the month in which the PA ought to have been made as per SEBI.	7,844,561
(iv)	Total number of equity shares traded on BSE during the six calendar months prior to August 2010, being the month in which the PA ought to have been made as per SEBI.	5,132,118
(v)	Total no. of listed equity shares during the period (February 2010 to July 2010) on the stock exchanges	13,197,395
(vi)	As per annualised trading of equity shares data, it is found that equity shares were frequently traded on both the stock exchanges in accordance with the Old Regulations	NSE (118.88%) BSE (77.77%)
(vii)	**Calculation of Offer Price under Regulation 20(4) of the Old Regulations**	
a.	Negotiated Price under the agreement referred to in Regulation 14(1) of the Old Regulations	Not Applicable
b.	Highest price paid by the Acquirer or the PAC for acquisitions, if any, including by way of allotment in a Public or Rights or Preferential Issue, during the 26 week period prior to the date of PA as mentioned at (ii) above	Not Applicable
c.	The average of the weekly high and low of closing prices of the shares during 26 weeks period preceding the date of PA as mentioned at (ii) above on NSE (Refer Para 5.1.11)	`104.88
d.	The average of the daily high and low of the prices of the shares during two weeks period preceding the date of PA as mentioned at (ii) above on NSE (Refer Para 5.1.12)	`117.12
(viii)	Delay in no. of days from the date of PA mentioned at (ii) above to the original date of the PA i.e. January 11, 2012	516 Days
(ix)	Interest for the delayed period @ 10% Simple Interest on `117.12	`16.56
(x)	Offer Price with interest for the delayed period under the Old Regulations	`133.68

5.1.5. Without prejudice to the rights of the Acquirer in its proposed appeal before the SAT (please refer to Para 2.1.27), the Manager to the Offer confirms that the Offer Price i.e. `135 per fully paid-up equity shares is calculated in accordance with SEBI observations dated November 30, 2012. Also, the Offer Price is in compliance with the Regulation 8 of the Regulations.

5.1.6. There have been no corporate actions in the Target Company warranting adjustment of relevant price parameters.

5.1.7. If the Acquirer and/or the PAC acquire equity shares of the Target Company during the period of twenty-six weeks after the closure of TP at a price higher than the Offer Price, then the Acquirer and the PAC shall pay the difference between the highest acquisition price and the Offer Price, to all shareholders whose equity shares have been accepted in this Offer within sixty days from the date of such acquisition. However, no such difference shall be paid in the event that such acquisition is made under another open offer under the Regulations, or pursuant to SEBI (Delisting of Equity Shares) Regulations, 2009 or open market purchases made in the ordinary course on the stock exchanges, not being negotiated acquisition of equity shares of the Target Company in any form.

5.1.8. As on date of this LOF, there is no revision in the Offer Price or Offer Size. In case of any revision in the Offer Price or Offer Size, the Acquirer and the PAC will comply with all the provisions of the Regulations which are required to be fulfilled for the said revision in the Offer Price or Offer Size.

5.1.9. If there is any revision in the Offer Price on account of future purchases / competing offers, it will be done only upto three working days prior to the date of commencement of the TP and would be notified to the shareholders by way of another public announcement in the same newspapers where the DPS has appeared.

5.1.10. Calculation of the volume-weighted average market price of such equity shares for a period of sixty trading days immediately preceding the date of PA as traded on NSE (As the maximum volume of trading in the equity shares of the Target Company was recorded on NSE during such period as stated in para 5.1.2) as per Regulation 8(2)(d) of the Regulations is as follows:

Sl. No.	Date	WAP (in `)	Total Traded Shares	A X B (in `)
		A	B	C
1	10-Jan-12	121.60	29,251	35,57,000
2	09-Jan-12	116.93	27,169	31,77,000
3	07-Jan-12	110.00	100	11,000
4	06-Jan-12	111.49	1,462	1,63,000
5	05-Jan-12	111.42	1,454	1,62,000
6	04-Jan-12	111.47	20,006	22,30,000
7	03-Jan-12	108.08	7,966	8,61,000
8	02-Jan-12	109.27	34,593	37,80,000
9	30-Dec-11	109.91	20,889	22,96,000
10	29-Dec-11	108.06	13,132	14,19,000
11	28-Dec-11	107.10	6,116	6,55,000
12	27-Dec-11	106.04	22,021	23,35,000
13	26-Dec-11	106.49	81,133	86,40,000
14	23-Dec-11	101.10	99,820	1,00,92,000
15	22-Dec-11	86.88	2,325	2,02,000
16	21-Dec-11	85.39	6,043	5,16,000
17	20-Dec-11	84.45	20,083	16,96,000
18	19-Dec-11	84.90	4,888	4,15,000
19	16-Dec-11	88.75	3,741	3,32,000
20	15-Dec-11	90.52	4,021	3,64,000
21	14-Dec-11	93.24	10,704	9,98,000
22	13-Dec-11	93.38	16,641	15,54,000
23	12-Dec-11	94.62	34,506	32,65,000
24	09-Dec-11	92.30	4,106	3,79,000
25	08-Dec-11	93.28	4,256	3,97,000
26	07-Dec-11	95.48	2,168	2,07,000
27	05-Dec-11	95.58	10,023	9,58,000
28	02-Dec-11	93.84	16,028	15,04,000
29	01-Dec-11	94.18	8,781	8,27,000
30	30-Nov-11	93.95	8,696	8,17,000
31	29-Nov-11	94.23	23,049	21,72,000
32	28-Nov-11	100.33	45,349	45,50,000
33	25-Nov-11	97.60	61,587	60,11,000
34	24-Nov-11	96.11	1,04,391	1,00,33,000
35	23-Nov-11	110.32	57,198	63,10,000
36	22-Nov-11	111.08	41,348	45,93,000
37	21-Nov-11	110.35	29,950	33,05,000
38	18-Nov-11	115.14	32,570	37,50,000
39	17-Nov-11	115.79	27,715	32,09,000

40	16-Nov-11	110.31	55,089	60,77,000
41	15-Nov-11	108.87	8,147	8,87,000
42	14-Nov-11	109.44	22,898	25,06,000
43	11-Nov-11	110.55	32,138	35,53,000
44	09-Nov-11	109.15	28,098	30,67,000
45	08-Nov-11	107.91	1,68,600	1,81,94,000
46	04-Nov-11	109.88	3,29,054	3,61,56,000
47	03-Nov-11	97.79	14,838	14,51,000
48	02-Nov-11	92.19	1,703	1,57,000
49	01-Nov-11	93.00	871	81,000
50	31-Oct-11	93.47	1,455	1,36,000
51	28-Oct-11	92.30	1,636	1,51,000
52	26-Oct-11	91.80	1,024	94,000
53	25-Oct-11	91.95	3,937	3,62,000
54	24-Oct-11	93.13	1,063	99,000
55	21-Oct-11	93.46	1,744	1,63,000
56	20-Oct-11	93.08	2,095	1,95,000
57	19-Oct-11	91.99	1,435	1,32,000
58	18-Oct-11	92.24	1,637	1,51,000
59	17-Oct-11	93.96	1,341	1,26,000
60	14-Oct-11	93.84	5,094	4,78,000
Total			**1,629,176**	**171,958,000**
Volume Weighted Average Market Price (Total of C / Total of B)				**105.55**

5.1.11. Calculation of the weekly high and low of the closing prices of the equity shares of the Target Company quoted on NSE for a period of twenty-six weeks from the date of PA (August 14, 2010) in accordance with sub-para vii (c) of para 5.1.4 as follows:

Week	From	To	High	Low	Average
1	15-Feb-10	19-Feb-10	67.00	63.65	65.325
2	22-Feb-10	26-Feb-10	65.30	62.55	63.925
3	01-Mar-10	05-Mar-10	73.00	66.50	69.750
4	08-Mar-10	12-Mar-10	74.75	70.10	72.425
5	15-Mar-10	19-Mar-10	80.90	70.95	75.925
6	22-Mar-10	26-Mar-10	80.50	75.60	78.050
7	29-Mar-10	02-Apr-10	84.25	73.00	78.625
8	05-Apr-10	09-Apr-10	93.00	86.80	89.900
9	12-Apr-10	16-Apr-10	124.30	92.30	108.30
10	19-Apr-10	23-Apr-10	129.35	120.95	125.150
11	26-Apr-10	30-Apr-10	125.30	119.85	122.575
12	03-May-10	07-May-10	118.85	113.90	116.375
13	10-May-10	14-May-10	125.30	119.15	122.225
14	17-May-10	21-May-10	119.95	110.90	115.425
15	24-May-10	28-May-10	111.15	107.00	109.075
16	31-May-10	04-Jun-10	111.35	109.20	110.275
17	07-Jun-10	11-Jun-10	119.95	113.85	116.900
18	14-Jun-10	18-Jun-10	123.90	117.50	120.700
19	21-Jun-10	25-Jun-10	122.00	121.15	121.575
20	28-Jun-10	02-Jul-10	121.50	119.60	120.550

21	05-Jul-10	09-Jul-10	121.10	117.40	119.250
22	12-Jul-10	16-Jul-10	122.40	119.20	120.800
23	19-Jul-10	23-Jul-10	133.10	123.15	128.125
24	26-Jul-10	30-Jul-10	125.35	119.30	122.325
25	02-Aug-10	06-Aug-10	118.45	113.40	115.925
26	09-Aug-10	13-Aug-10	119.25	115.40	117.325
			Total		**2726.800**
			Average = Total / 26		**104.876**

5.1.12. Calculation of daily high and low of the prices of the equity shares of the Target Company quoted on NSE for a period of two weeks preceding the date of PA (August 14, 2010) in accordance with sub-para vii (d) of para 5.1.4 as follows:

Week	As on	High	Low	Average
1	02-Aug-10	123.75	117.40	120.575
2	03-Aug-10	119.20	116.50	117.850
3	04-Aug-10	119.00	112.05	115.525
4	05-Aug-10	118.90	107.95	113.425
5	06-Aug-10	118.90	113.00	115.950
6	09-Aug-10	117.90	113.00	115.450
7	10-Aug-10	118.80	110.00	114.400
8	11-Aug-10	122.50	116.60	119.550
9	12-Aug-10	120.90	117.50	119.200
10	13-Aug-10	121.40	117.10	119.250
		Total		**1171.175**
		Average = Total / 10		**117.117**

5.2. FINANCIAL ARRANGEMENTS

5.2.1. The total fund requirement for the Offer (assuming full acceptance) is `670,178,205/- (Rupees Sixty-Seven Crore One Lac Seventy-Eight Thousand Two Hundred and Five only). In accordance with Regulation 17(1) of the Regulations, the Acquirer has opened a "**Cash Escrow Account**" in the name and style as "**Clearwater Capital Partners (Cyprus) Limited – Open Offer Escrow A/c**" bearing Account No. 0352-LH0056-050 with **IndusInd Bank Limited** ("**Escrow Bank**"), Branch: Glacis Tower, Plot No. 391, CST No. E1271, Linking Road, Khar (West), Mumbai – 400 052, Maharashtra and made a cash deposit of `168,984,196/- (Rupees Sixteen Crore Eighty-Nine Lac Eighty-Four Thousand One Hundred and Ninety Six only) in the account in accordance with the Regulation 17(3)(a) of the Regulations, being more than 25% of the total consideration payable to the shareholders under the Offer.

5.2.2. A lien has been marked on the said Cash Escrow Account in favour of the Manager to the Offer by the Escrow Bank. The Manager to the Offer has been solely authorised by the Acquirer to operate and realise the value of Cash Escrow Account in terms of the Regulations.

5.2.3. The Acquirer and the PAC have adequate financial resources and have made firm financial arrangements for the implementation of the Offer in full out of their Networth. The combined networth of the Acquirer and the PAC as per their financial statements for 9 months period ended on September 30, 2012 and duly certified by their respective auditors stood to US$ 159.32 million or ` 8320.18 million.

5.2.4. Ernst & Young Cyprus Limited (Certificate No. E146/085) having their office Nicosia Tower Centre, 36 Byron Avenue, P.O. Box 21656; 1511 Nicosia, Cyprus. Tel. No. +357-2220-9999 and Fax No. +357-2220-9998/97/96 vide certificate dated December 07, 2012 have confirmed that adequate financial resources are available with the Acquirer to fulfil all the obligations under the Offer. On the basis of necessary information and explanation given by the Acquirer and the PAC and on the verification of their assets, liabilities, and the requirement of the funds, the Acquirer and the PAC have adequate resources to fulfil the obligations under this Offer in full. The financial obligations of the Acquirer and the PAC under the Offer have been fulfilled through internal resources of the Acquirer and the PAC and no borrowings from Banks or NRIs or Financial Institutions are envisaged.

5.2.5. Based on the above, the Manager to the Offer is satisfied about the ability of the Acquirer and the PAC to implement the Offer in accordance with the Regulations. The Manager to the Offer confirms that the firm arrangement for the funds and money for payment through verifiable means are in place to fulfill the Offer obligations.

6. TERMS AND CONDITIONS OF THE OFFER

6.1 OPERATIONAL TERMS AND CONDITIONS

6.1.1. The Offer is not subject to any minimum level of acceptances from shareholders of KHIL. The Acquirer will acquire all the fully paid up equity shares of the Target Company that are validly tendered and accepted in terms of this Offer upto 4,964,283 fully paid-up equity shares of ` 10/- each representing 26% of the post conversion paid up and voting capital of the Target Company. Thus, the Acquirer will proceed with the Offer even if they are unable to obtain acceptance to the full extent of the equity shares of the Target Company for which this Offer is made.

6.1.2. LOF will be dispatched to all the equity shareholders of KHIL (except the Acquirer, the PAC and the non-resident shareholders), whose names will appear in Register of Members of the Target Company on December 6, 2012 (Thursday) the Identified Date.

6.1.3. The Acquirer and the PAC refrain themselves to send the LOF to non-resident shareholders in accordance with Regulation 18(2) of the Regulations since the local laws or regulations of any jurisdiction outside India may expose them or the Target Company to material risk of civil, regulatory or criminal liabilities in case the LOF is sent in its original form. However, non-resident can participate in the Offer even if LOF is not sent to them.

6.1.4. The Offer is subject to the terms and conditions set out in this LOF, the Form of Acceptance, the PA, the DPS and any other public announcements that may be issued with respect to the Offer.

6.1.5. The LOF alongwith the Form of Acceptance-cum-Acknowledgement would also be available at SEBI's website, *www.sebi.gov.in*, and equity shareholders can also apply by downloading such forms from the website.

6.1.6. This Offer is subject to the receipt of the statutory and other approvals as mentioned in Para 6.4 of this LOF. In terms of Regulation 23(1)(a) of the Regulations, if the statutory approvals are refused, the Offer would stand withdrawn. However, there are no statutory approvals pending as on date of this LOF.

6.1.7. Accidental omission to dispatch this LOF or any further communication to any person to whom this Offer is made or the non-receipt of this LOF by any such person shall not invalidate the Offer in any way. The instructions, authorisations and provisions contained in the Form of Acceptance-cum-Acknowledgement constitute an integral part of the terms of this Offer.

6.1.8. The acceptance of the Offer must be unconditional and should be sent in the enclosed Form of Acceptance-cum-Acknowledgement along with the other documents duly filled in and signed by the applicant shareholder(s) which should be received by the Registrar to the Offer at the collection centre mentioned in Para 7.1 under "Procedure for Acceptance and Settlement" on or before the Closure of the TP.

6.1.9. The Acquirer will not be responsible in any manner for any loss of equity share certificate(s) and Offer acceptance documents during transit. The equity shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

6.1.10. In terms of the Regulation 18(9) of the Regulations, Shareholders who tender their equity shares in acceptance of this Offer shall not be entitled to withdraw such acceptance during the TP.

6.2 LOCKED IN SHARES

There are no equity shares of the Target Company that are “locked-in” as on the date of this LOF.

6.3 ELIGIBILITY FOR ACCEPTING THE OFFER

The Offer is made to all the public shareholders (except the Acquirer and the PAC) whose names appeared in the register of shareholders (“**Physical Holders**”) on Identified Date and also to the beneficial owners (“**Demat Holders**”) of the equity shares of target Company, whose names appeared as beneficiaries on the records of the respective Depository Participants (“**DP**”) at the close of the business hours on the Identified Date and also to those persons who own shares any time prior to the closure of the TP, but are not registered shareholder(s).

6.4 STATUTORY APPROVALS

6.4.1. As on date of this LOF, to the best of the knowledge of the Acquirer and the PAC, there are no statutory approvals is required to implement this Offer. However, in case of any regulatory or statutory or other approval being required, the Offer shall be subject to all such approvals and the Acquirer shall make the necessary applications for such approvals.

6.4.2. The Acquirer and the PAC, in terms of Regulation 23(1)(a) of the Regulations, will have a right not to proceed with the Offer in the event the statutory approvals indicated above are refused. In the event of withdrawal, a public announcement will be made within two working days of such withdrawal, in the same newspapers in which the DPS was appeared.

6.4.3. The Offer cannot be withdrawn by the Acquirer in any event whatsoever as per the conditions stipulated in the underlying agreements in terms of Regulation 23(1)(c) of the Regulations.

6.4.4. In case of delay in receipt of the above statutory approvals, SEBI has the power to grant extension of time to the Acquirer and the PAC for payment of consideration to the shareholders of the Target Company whose equity shares have been accepted in the Offer, subject to the Acquirer and the PAC agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 18(11) of the Regulations. However, there are no statutory approvals pending as on date of this LOF.

7. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

7.1. All eligible owners of fully paid equity shares of the Target Company, registered or unregistered who wish to avail and accept the Offer can hand deliver or by way of Registered Post of the Form of Acceptance-cum-Acknowledgement alongwith Original Share Certificate(s) and valid Transfer Deed(s) (wherever applicable) and with all the relevant documents on all working days i.e. from Monday to Friday between 10.00 a.m. to 4.00 p.m. at the below mentioned collection centre in accordance with the procedure as set out in this LOF. The collection centre will remain closed on Sundays and Public Holidays.

Name and Address of Collection Centre	Contact Person, Telephone No., Fax No. and Email	Mode of Delivery
Link Intime India Private Limited Unit: Kamat Hotels (India) Limited – Open Offer Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.	Mr. Pravin Kasare Tel. No.: +91-22-2596 7878 Fax. No.: +91-22-2596 0329 E-mail: khil.offer@linkintime.co.in	Hand Delivery / Registered Post

Delivery made through Registered Post would be received on all days except Saturdays, Sundays and Public Holidays.

Neither the Share Certificate(s) nor Transfer Deed(s) nor the Form of Acceptance should be sent to the Acquirer nor the PAC nor the Target Company nor the Manager to the Offer.

7.2. **Procedure for equity shares held in demateralised form**

❖ **Beneficial Owners should enclose:**

- Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, by sole/joint shareholders whose names appear in the beneficiary account and in the same order therein. The Form of Acceptance has to be tendered by the beneficial holder of equity shares only. In case of non-receipt of the aforesaid documents, but receipt of the equity shares in the Special Depository Account, the Offer shall be deemed to be accepted.

- A photocopy or counterfoil of the Delivery Instructions in "Off-market" mode duly acknowledged by the beneficial owners depository participant and filled as per the details of the Special Depository Account given below.

- Shareholders desirous of participating in the Offer are required to send their application along with the duly filled Form of Acceptance to the Registrar to the Offer, such that the applications are received by the Registrar to the Offer, on or before the closure of the TP, stating the name, address, number of equity shares held, number of equity shares offered, DP name, DP ID number, beneficiary account number along with a photocopy of the delivery instruction in 'off-market' mode, duly acknowledged by the DP as per instructions given below:

Name of the Escrow Account	**LIIPL KHIL Open Offer Escrow Demat Account**
Depository Name	National Securities Depository Limited ("**NSDL**")
Depository Participant (DP) Name	Ventura Securities Limited
DP ID Number	IN303116
Beneficiary Account Number / Client ID	10921435
ISIN	INE967C01018
Mode of Instruction	Off-Market

7.3. Shareholders who tender their equity shares in electronic form are requested to attach their respective counterfoils of the transaction duly stamped by their respective DPs along with the Form of Acceptance cum Acknowledgement which will be sent along with LOF to them. Shareholders of the Target Company having their beneficiary account with Central Depository Services (I) Limited ("**CDSL**") shall use the inter-depository delivery instruction slip and send the same (duly stamped by their Depository Participants) for the purpose of crediting their equity shares in favour of the special depository account with NSDL.

❖ **Shareholders who have sent their equity share certificates for dematerialization should enclose:**

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein by the sole/joint equity shareholders whose name appears on the equity share certificate and in the same order and as per the specimen signature lodged with the Target Company.

- A copy of the dematerialisation request form duly acknowledged by the equity shareholders depository participant. Such equity shareholders should ensure that the credit of their equity shares tendered under Offer to the Special Depository Account is made on or before the date of closing of the TP, otherwise the same are liable to be rejected. Alternatively, if the equity shares sent for dematerialisation are yet to be processed by the equity shareholders depository participants, the equity shareholders can withdraw their dematerialization request and tender the equity share certificates in the Offer as per procedure mentioned in this LOF.

7.4. **Procedure for equity shares held in physical form**

- **Registered shareholders of the Target Company should enclose:**

  - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, by sole/joint shareholders whose name(s) appears on the equity share certificate(s) and in the same order and as per the specimen signature lodged with the Target Company;

  - Original equity share certificate(s);Valid share transfer deed(s) duly signed as transferor(s) by the sole/joint shareholder(s) in the same order and as per specimen signatures lodged with the Target Company and duly witnessed at the appropriate place. The transfer deed should be left blank, except for the signatures as mentioned above. Attestation, where required (thumb impressions, signature difference, etc.) should be done by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a public office and authorized to use the seal of his office or a member of a recognized stock exchange under their seal of office and membership number or manager of the transferor's bank. A blank share transfer form is enclosed along with this LOF.

    In case of registered shareholder, non receipt of the aforesaid documents, but receipt of the share certificates and the duly completed transfer deed, shall be deemed that the Offer has been accepted.

    Notwithstanding that the signature(s) of the transferor(s) has/have been attested as aforesaid, if the signature(s) of the transferor(s) differs from the specimen signature(s) recorded with the Target Company or are not in the same order, such equity shares are liable to be rejected under this Offer even if the Offer has been accepted by a *bona fide* owner of such equity shares.

- **Unregistered owners of equity shares of the Target Company should enclose:**

  - Form of Acceptance duly completed and signed in accordance with the instructions contained therein;
  - Original equity share certificate(s);
  - Original broker contract note;
  - Valid share transfer deed(s) as received from the market. The details of buyer should be left blank failing which the same will be considered invalid under the Offer. All other requirements for valid transfer (including matching of signatures) will be preconditions for acceptance.
  - The acknowledgement received, if any, from the Target Company in case the equity shares have been lodged with the Target Company. Such persons should instruct the Target Company and its Registrar and Transfer agents to send the transferred share certificate(s) directly to the collection centre as mentioned in Para 7.1 above of this LOF. The applicant should ensure that the certificate(s) reach the designated collection centre before the date of closure of the TP.

7.5. Unregistered owners can send their acceptance of the Offer in writing to the Registrar to the Offer at the collection centre as mentioned in Para 7.1 above of this LOF, on plain paper stating name, address, number of equity shares held, no. of equity shares offered, distinctive numbers, folio numbers, together with the original share certificate(s), valid transfer deeds in case of equity shares held in physical form. No indemnity is required from the unregistered owners. Unregistered owners if they so desire may also apply on the Form of Acceptance downloaded from the SEBI's website (www.sebi.gov.in).

7.6. **Procedure to be adopted in case of non-receipt of the LOF**

- **By equity shareholders holding equity shares in physical form**

  In case of non-receipt of the LOF, eligible persons may send their acceptance of the Offer in writing to the Registrar to the Offer at the collection centre as mentioned in Para 7.1 above of this LOF, on plain paper stating their name, address, number of equity shares held, no. of equity shares offered, distinctive numbers, folio numbers together with the original share certificate(s), valid transfer deeds in case of equity shares held in physical form, so as to reach the Registrars to the Offer on or before the date of closure of the TP.

Shareholders who have lodged their equity shares for transfer with the Target Company must also send the acknowledgement received, if any, from the Target Company towards such lodging of equity shares. Shareholders who have sent their equity share certificates for dematerialisation should send a copy of the dematerialised request form duly acknowledged by their depository participant.

- **By equity shareholders holding equity shares in dematerialised form**

Beneficial Owners may send the acceptance of the Offer in writing to the Registrar to the Offer at the collection centre as mentioned in Para 7.1 above of this LOF, on plain paper, stating name, address, number of equity shares held, number of equity shares offered, DP name, DP ID, beneficiary account number and a photocopy or counterfoil of the delivery instructions in "Off market" mode, duly acknowledged by the beneficial owners depository participant, in favour of the Special Depository Account, the details of which are mentioned in Para 7.2 above of Offer.

Shareholders, having their beneficial account with CDSL have to use inter-depository delivery instruction slip for the purpose of crediting their equity shares in favour of the Special Depository Account with NSDL. No indemnity is required while sending the acceptance of the Offer on plain paper.

Shareholders who do not receive the LOF and hold equity shares of the Target Company may also apply by downloading the 'Form of Acceptance-cum-Acknowledgment' from SEBI's website (www.sebi.gov.in), if they desired to do so.

7.7. The shareholders should also provide all relevant documents, which are necessary to ensure transferability of the equity shares in respect of which the acceptance is being sent in connection with the Offer. Such documents may include, but are not limited to:

i. duly attested death certificate and succession certificate in case of single shareholder;
ii. duly attested Power of Attorney if any person apart from the shareholder has signed the Form of Acceptance and/or transfer deed(s);
iii. in case of companies, the necessary corporate authorization (including applicable resolutions, consents and approvals of the applicable governing bodies of such companies);
iv. any other relevant documentation.

7.8. The Registrar to the Offer will hold in trust the Form of Acceptance, equity share certificates, transfer deeds and other documents on behalf of the shareholders of the Target Company who have tendered in the Offer, until the cheques/drafts for the consideration and/or the unaccepted equity shares/equity share certificates are dispatched/returned, the Acquirer would not have access to these equity shares until such time.

7.9. The Acquirer shall accept all valid fully paid up equity shares tendered up to the Offer Size. Equity shares will be acquired by the Acquirer free from lien, charges and encumbrances of any kind whatsoever and together with all the rights attached thereto including the right to dividend, bonus and rights issue thereafter.

7.10. The consideration for the equity shares of the Target Company accepted by the Acquirer will be paid by crossed account payee cheques/demand drafts. Such cheques/demand drafts or unaccepted equity share certificates, transfer deeds and other documents, if any, will be returned by registered post/speed post at the shareholders'/unregistered owners' sole risk, to the sole/first shareholder/unregistered owner. All cheques/demand drafts will be drawn in the name of the first holder, in case of joint registered holders.

7.11. If the number of equity shares tendered by the Shareholders in connection with the Offer is more than the Offer Size, the acquisition from each Shareholder will be on a proportionate basis which would be determined in consultation with the Manager to the Offer so as to ensure that the basis of acceptance is decided in a fair and equitable manner and does not result in non-marketable lots. Provided that, acquisition of equity shares from a Shareholder, shall not be less than the minimum marketable lot or the entire holding, if it is less than the marketable lot. As the equity shares of the Target Company trade in the compulsory dematerialized segment, the minimum marketable lot for the equity shares is 1 (One) whereas in case of physical shares the lot size is 100 (One Hundred).

7.12. Unaccepted equity share certificate(s), transfer deed(s) and other documents, if any, will be returned by Registered Post at the Shareholders' / unregistered owners' sole risk to the sole / first named Shareholder / unregistered owner. Except that, in case the share certificates tendered have to be split, the Acquirer will arrange to split the share certificates and send the balance share certificates (for equity shares not accepted in the Offer) by Registered Post at the Shareholders' / unregistered owners' sole risk to the sole / first named Shareholder / unregistered owner. Unaccepted equity shares held in dematerialised form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance - cum - Acknowledgement or otherwise.

7.13. In case of dematerialised equity shares, the equity shares would reside in the Special Depository Account as mentioned above. The Registrar to the Offer will debit the Special Depository Account to the extent of payment of consideration made by the Acquirer and give instructions for the credit to the beneficial account of the Acquirer. The equity shares held in dematerialised form to the extent not accepted as a result of non-payment/part payment of consideration by the Acquirer under the Offer will be released to the beneficial owner's depository account with the respective beneficial owners depository participant as per details furnished by the beneficial owner in the Form of Acceptance, at the sole risk of the beneficial owners.

7.14. **Payment Consideration**

Payment to those shareholders whose certificates and/or other documents are found valid and in order and are approved by the Manager to the Offer and the Registrar to the Offer will be paid by way of a crossed account payee Cheque/Demand Draft/Pay Order through Direct Credit ("**DC**")/National Electronic Fund Transfer ("**NEFT**")/Real Time Gross Settlement ("**RTGS**")/National Electronic Clearing Services ("**NECS**"). Shareholders who opt for receiving consideration through DC/NEFT/RTGS/NECS are requested to give the authorisation for the same in the Form of Acceptance cum Acknowledgement and enclosed a photocopy of cheque along with form of Form of Acceptance cum Acknowledgement. The consideration to the shareholders will be paid as per the option selected by the shareholders while providing their bank account details mentioned in the Form of Acceptance cum Acknowledgement.

7.15. Mode of making Payment to the Shareholders whose shares are accepted in the Open Offer:

National Electronic Clearing Services ('NECS') – Payment would be done through NECS for Shareholders having an account at any of the centres where such facility is available. This mode of payment would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment through NECS is mandatory for Shareholders having a bank account at any of the centers where such facility is available, except where the Shareholder, being eligible, opts to receive payment through direct credit or RTGS.

Direct Credit ('**DC'**) – Shareholders having bank accounts with the Escrow Banker, as mentioned in the Acceptance cum Acknowledgement Form, shall be eligible to receive payments through direct credit. Charges, if any, levied by the Escrow Bank for the same would be borne by the Acquirer.

Real Time Gross Settlement ('RTGS') – Shareholders having a bank account and whose amount exceeds ` 2.00 Lac, have the option to receive the payment through RTGS at any of the centres where such facility is available. Such eligible Shareholders who indicate their preference to receive payment through RTGS are required to provide the **IFSC code** in the Form of Acceptance-cum-Acknowledgement. In the event the same is not provided, payment shall be made through NECS. Charges, if any, levied by the Escrow Bank for the same would be borne by the Acquirer. Charges, if any, levied by the Shareholder's bank receiving the credit would be borne by the Shareholder.

National Electronic Fund Transfer ('NEFT') – Payment shall be undertaken through NEFT wherever the Shareholder's bank has been assigned the Indian Financial System Code ("**IFSC**"), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment, duly mapped with MICR numbers.

Wherever the Shareholders have registered their nine digit **MICR Number** and their **Bank Account Number** while opening and operating the demat account, the same will be duly mapped with the **IFSC Code** of that particular bank branch and the payment will be made to the Shareholder through this method. The process flow in respect of payments by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment would be made through any one of the other modes as discussed above.

For all other Shareholders, and those who have not updated their bank particulars with the MICR code, the payments will be dispatched through Speed Post/ Registered Post. Such payments will be made by cheques, pay orders or demand drafts drawn on the Escrow Bank and payable at par at places where acceptance forms are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Shareholders.

8. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection to the Shareholders of the Target Company at the Office of Systematix Corporate Services Limited at J.K. Somani Building, 2nd Floor, Mumbai Samachar Marg, British Hotel Lane, Fort, Mumbai – 400 001 during the TP from Monday to Friday except SEBI Holidays between 10.00 a.m. to 5.00 p.m.

8.1. Certificate of Incorporation, Memorandum and Articles of Association of the Acquirer and the PAC.

8.2. Certificates from CPA Ernst & Young Cyprus Limited having their office Nicosia Tower Centre, 36 Byron Avenue, P.O. Box 21656; 1511 Nicosia, Cyprus. Tel. No. +357-2220-9999 and Fax No. +357-2220-9998/97/96 vide their certificate dated December 07, 2012 that the Acquirer has adequate resources to fulfil the total obligation of the Offer.

8.3. Audited annual reports of the Acquirer and the PAC for the year ending December 31st, 2011, 2010, 2009, 2008 and un-audited certified financials of the Acquirer and the PAC for the period of nine months ended September 30, 2012.

8.4. Audited annual reports of the Target Company for the year ending March 31st, 2012, 2011, 2010, 2009 and limited reviewed financials of the Target Company for the period of six months ended September 30, 2012.

8.5. Copy of Escrow Agreement between the Acquirer, Escrow Bank and Manager to the Offer.

8.6. Copy of Demat Escrow Agreement between the Acquirer, Escrow Agent and Manager to the Offer.

8.7. Certificate from Escrow Bank confirming the amount kept in Escrow Account opened as per the Regulations.

8.8. Copy of PA, Published copy of the DPS, which appeared in the Newspapers on January 18, 2012, any other Public Announcement / Corrigendum to these.

8.9. A copy of the recommendation made by the Board of Target Company.

8.10. A copy of the comments letter from SEBI, as may be received.

8.11. A copy of the agreement with Registrar to the Offer for opening of a Special Depository Account for the purpose of the Offer.

8.12. Memorandum of Understanding between the Acquirer and Systematix Corporate Services Limited.

8.13. Memorandum of Understanding between the Acquirer and Systematix Corporate Services Limited and the Escrow Banker.

8.14. Undertaking from the Acquirer for unconditional payment of the considerations within 10 days of closure to all the Shareholders of the Target Company whose applications are accepted in the Open Offer.

8.15. Share price quotations and volume data downloaded from official website of BSE and NSE.

8.16. Offering Circular, Trust Deed and Agency Agreement dated March 13, 2007.

8.17. Inter-se Agreement, Supplemental Trust Deed and Supplemental Agency Agreement dated August 13, 2010.

8.18. Scheme dated May 28, 2011 being approved by the Board of Directors of the Target Company.

8.19. Copy of Notice served to the Conversion Agent for the conversion of FCCBs into equity shares dated January 11, 2012.

8.20. Copy of High Court Order dated January 13, 2012 on the Scheme of KHIL.

9. DECLARATION

We have made all reasonable inquiries, accept responsibility for, and confirm that this LOF contains all information with regard to the Offer, which is material in the context of the issue, that the information contained in this LOF is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

We are responsible for ensuring compliance with the Regulations and the obligations as stated under the Regulations. All information contained in this document is true and correct as on date of the PA, DPS and this LOF, unless stated otherwise.

We hereby declare and confirm that all the relevant provisions of Companies Act, 1956 and all the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 have been complied with and no statements in the Offer document is contrary to the provisions of Companies Act, 1956 and SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

For and on behalf of Clearwater Capital Partners (Cyprus) Limited

Sd/-
Authorised Signatory

For and on behalf of Clearwater Capital Partners Singapore Fund Iii Private Limited

Sd/-
Authorised Signatory

Date: December 7, 2012
Place: Mumbai.

Enclosures:

(1) Form of Acceptance - cum - Acknowledgement
(2) Blank Share Transfer Deed

FORM OF ACCEPTANCE – CUM – ACKNOWLEDGEMENT

(Please send this Form with enclosures to the Registrar to the Offer at their address given overleaf)
All terms and expressions used herein shall have the same meaning as described thereto in this LOF.

Offer Opens / Tendering Period Starts on: December 20, 2012 (Thursday)
Offer Closes / Tendering Period Ends on: January 3, 2013 (Thursday)

Shareholder(s) Details:
Name:______________________________
Full Address:
____
____

Dist:______________**State:**______________; **PinCode:**______________
Tel. No. with STD Code: ______________; **Mobile No.**______________
Fax No. with STD Code: ______________; **Email:**______________

To,
Link Intime India Private Limited
Unit : Kamat Hotels (India) Limited – Open Offer
Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai – 400 078.

Sub.: Open Offer for acquisition of 4,964,283 Equity Shares of KHIL representing 26% of the Equity & Voting Capital at a price of ` 135/- (Rupees One Hundred and Thirty-Five Only) per Equity Share by Clearwater-Cyprus and Clearwater-Singapore under SEBI (SAST) Regulations, 2011.

Dear Madam/Sir,
I/We refer to the LOF dated December 7, 2012 for acquiring the Equity Shares held by me/us in KHIL.
I/We, the undersigned, have read the LOF and understood its contents including the terms and conditions as mentioned therein.

<u>For Equity Shares held in Physical Form:</u>
I/We accept the Offer and enclose the original Equity Share certificate(s) and duly signed transfer deed(s) in respect of my/our Equity Shares as detailed below:

Sl. No.	Folio No.	Certificate No.	Distinctive No(s)		No. of Equity Shares
			From	To	
Total Number of Equity Shares					

(In case of insufficient space, please use additional sheet and authenticate the same)
I/We note and understand that the original equity share certificate(s) and valid share transfer deed(s) will be held in trust for me/us by the Registrar to the Offer until the time the Acquirer pay the purchase consideration as mentioned in the LOF.
I/We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

------------------------------**Tear along this line**------------------------------

KHIL – Open Offer [Acknowledgement Slip]

Received from Mr./Ms./Mrs.______________________________
Folio No. ______________Form of Acceptance-cum-Acknowledgement,______________Number of Certificate for ______________Equity Shares.

Stamp of Collection Centre	Signature of Official	Date of Receipt

For Equity Shares held in Demat Form:

I/We hold Equity Shares in demat form and accept the Offer and enclosed photocopy of the Delivery Instruction duly acknowledged by my/our DP in respect of my/our Equity Shares as detailed below:

DP Name	DP ID	Client ID	Name of Beneficiary	No. of Equity Shares

I/We have done an off market transaction for crediting the Equity Shares to the Escrow Account opened with NSDL named "**LIIP KHIL Open Offer Escrow Demat A/c**". Shareholders whose Equity Shares are held in beneficiary Account with CDSL have to use an "inter–depository delivery instruction slip" for the purpose of crediting their Equity Shares in favour of the Escrow Account with NSDL.
I/We note and understand that the Equity Shares would lie in the Escrow Account until the time the Acquirer makes payment of purchase consideration as mentioned in the LOF.
I/We confirm that the Equity Shares of KHIL, which are being tendered herewith by me/us under the Offer, are free from lien, charges and encumbrances of any kind whatsoever.
I/We authorize the Acquirer to accept the Equity Shares so Offered which he may decide to accept in consultation with the Registrar to the Offer and in terms of the LOF and I/We further authorize the Acquirer to return to me/us, Equity Share Certificate(s) in respect of which the Offer is not found valid/not accepted, specifying the reasons thereof.
I/We authorize the Acquirer or the Registrar to the Offer to send by Registered Post/Courier the draft/cheque in settlement of the amount to the sole/first holder at the address mentioned below:

PAN/GIR No.	First / Sole Shareholder	Joint Holder 1	Joint Holder 2

So as to avoid fraudulent encashment in transit, Shareholder(s) may provide details of Bank Account of the first / sole shareholder and the consideration cheque or demand draft will be drawn accordingly. Please indicate the preferred mode of receiving the payment consideration. (Please (✓) tick at appropriate places)

1.) Electronic Mode: (   ) ***2.) Physical Mode: (   )***

Sl. No.	Particulars required	Details
i.	*Bank Name*	
ii.	*Complete Address of the Bank Branch*	
iii.	*Account Type*	**Current Account ( ) / Savings Account ( ) / NRE ( ) / NRO ( ) / Others ( )**
iv.	*Account No.*	
v.	*9 digit MICR Code (for NECS / DC)*	
vi.	*IFSC Code (for RTGS / NEFT)*	

Yours faithfully,

Signed & Delivered by	Full Name(s) of the Shareholder(s)	Signature(s)	PAN
Sole / First Shareholder			
Second Shareholder			
Third Shareholder			

Note: *In case of joint holdings, all holders must sign. In case of body corporate, the rubber stamp should be affixed and necessary board resolution must be attached.*
Place:________________
Date:________________

Instructions:

i. Please read the enclosed Letter of Offer carefully before filling-up this Form of Acceptance cum Acknowledgement.
ii. The Form of Acceptance cum Acknowledgement should be filled-up in English only.

Note: All future correspondence, if any should be addressed to the Registrar to the Offer at
LINK INTIME INDIA PRIVATE LIMITED
Unit: Kamat Hotels (India) Limited – Open Offer
Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai – 400 078, Maharashtra, India.
Tel. No. +91-22-2596 0320; Fax No. +91-22-2596 0329;
Toll Free No. 1-800-22-0320;
Email: khil.offer@linkintime.co.in